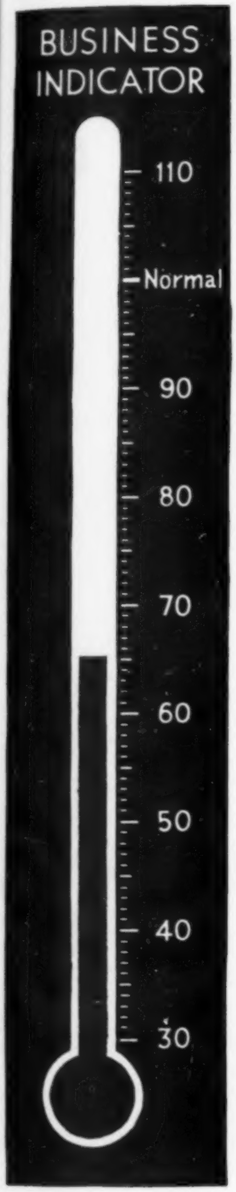
THE BUSINESS WEEK

DEC 16, 1931



Most disturbing detail of a dismal week is the indifferent, almost stupid, response to the fundamental, hopeful, and necessary measures of reconstruction suggested in the President's message . . . . This indicates the degree of demoralization of public opinion produced by the persistent decline of business activity, renewed weakness in commodity prices, and establishment of new low levels in security markets as December sets in . . . . Continued delay in automotive demand, and price uncertainties, are letting steel activity down into the usual year-end slump, and most indicators except power production appear to be making up for the unseasonal bulge in October by more rapid seasonal recession during December . . . . In the case of currency outstanding this is still an encouraging symptom of strengthening in the bank situation, but may soon begin to reflect some retardation of holiday retail trade . . . . The European picture, particularly in Germany, begins to take on the crazy appearance of the Cabinet of Dr. Caligari, in which it becomes impossible to distinguish the sane from the insane . . . . Americans may well ponder the immense implications of the neurotic nationalism that is emerging in Europe in bitter tariff wars, and the forced reduction of interest rates by edict in Germany . . . . Our security markets are undoubtedly being unreasonably infected by the imbecilities abroad, since not even the immediately depressed condition of domestic business, disappointing dividend action, or delay in dealing with railroad dilemmas can account for the absurdities of current quotations, in face of the unquestionable potentialities and promise of independent improvement in the domestic picture.

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What's In This Issue —And Why

Message to Congress

THE Presidential appraisal of the present emergency reveals a real understanding of the situation, in itself a favorable omen. Even hostile Congressional doctors cannot upset the diagnosis, can hardly fail to prescribe the indicated remedies. *(page 5 and Editorial)*

MOST important of these is the Reconstruction Corporation, a deflation antidote and inflation stimulant to be used as needed, affording quick relief to railroads, industries, agriculture, and banks. *(page 5)*

TAXES are to be stiffened, broadened, to balance the fiscal diet, strengthen the governmental body. *(page 6)*

MR. MELLON'S specific method for doing this is so drastic as to startle business and arouse the Democrats to vigorous opposition. *(page 8)*

VAGUELY recommended is a health program with muscle-building exercises for banking; included are observations on the social hygiene of anti-trust laws, the tariff, and public works. *(page 7)*

Railroads

THE I.C.C. finally told the roads to go to the devil in their own way; the unions, threatened with wage cuts, just told them to go to the devil. *(page 10)*

Germany

A BALANCE sheet for the remaining 3 months of the debt agreement, worked out by *The Business Week's* Berlin correspondent, shows Germany leaning heavily on exports already weakened by changing trade conditions. *(page 27)*

Steel

OLD plants, desperate to get their share of what little business there is, are undercutting the price (and financial) structure of the whole industry, making mergers inevitable. Just such a condition brought about the birth of Big Steel early in the century; 1932 may see a Super Steel consolidation. *(page 20)*

Coffee

BRAZIL makes another effort to prop up tottering coffee prices, proposes increased export tax and further destruction—which so far has been about equal to one bean a bag. *(page 23)*

Tires

LISTLESS dealers failed to sell expected replacements, even at low prices; tire companies are taking advantage of further drops in raw materials to make them an obvious buy. *(page 13)*

Automobiles

NEW models—even the new Ford now definitely under way—have a single common denominator—improved transmission. Most of them will feature some sort of easy-shifting and free-wheeling. *(page 11)*

OFFICIAL scrapping plans have succumbed to the inevitable and will permit the sale of parts from scrapped cars. Reason: "unofficial" scrap yards, selling parts, were able to bid in the bulk of the business. *(page 11)*

Milk

NEW YORK'S threatening gesture toward loose milk startled bottled milk into dropping 2¢; in other cities, for this and other reasons, the pegged prices are loosening. *(page 15)*

Roads

WELL-PLANNED highway construction programs can be great employment stabilizers. This year, the \$1½ billions spent on good roads made work for 3 million men. *(page 15)*

Coal

SOFT coal, through local cooperation between mine and mine (that's the rub) would establish central sales agencies, keep competition between field and field, stabilize prices by stopping local price-cutting. *(page 18)*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending December 12, 1931

President Offers Four Projects To Promote Business Recovery

Concentrates effort on cure of "credit paralysis"; first reaction in Congress surprisingly favorable

WASHINGTON (*Special Correspondence*)—"Forward action" by the government to expedite business recovery was the keynote, indeed almost the sole topic of President Hoover's message on the convening of the 72nd Congress. It is an emergency message; the President emphasizes this specifically; he underscores the temporary character of almost every major proposal.

The first reaction was astonishingly favorable. Here is the House of Representatives organized with a hostile Speaker and Democratic-controlled committees. Here is a Senate obviously dominated by Democrats and Progressives—the latter more bitter against the President than even the Democrats. And here are both Democrats and Progressives eager to embarrass him in his campaign for renomination and reelection.

Congress Seems Willing

Yet—the impression today is that there will be no unity of attack upon the President's program. Objections here and there, some of them vigorous, will be heard. But there is no certainty that a majority will be found to oppose any one of the President's recommendations. On the contrary, the prospect is that on all points where the President pointed to the specific legislative remedy desired, Congress is inclined to go along with him!

Far-Reaching Changes

And this on a program so broad in scope as to include revision of the tax laws on a specific basis—the 1924 law; the borrowing of billions; changes in the anti-trust laws; changes in the banking laws; setting up of a new department (public works) almost of Cabinet rank; opposition to tariff revision; and the setting up of at least 2 new instrumentalities for business relief—the Emergency Finance Corporation, and the Home Loan Banks.

The chief criticism on Capitol Hill is not of the definite things advocated by the President. It is because he was vague and indefinite on other points. On some of them he merely mentioned the problem, leaving the solution to Congress.

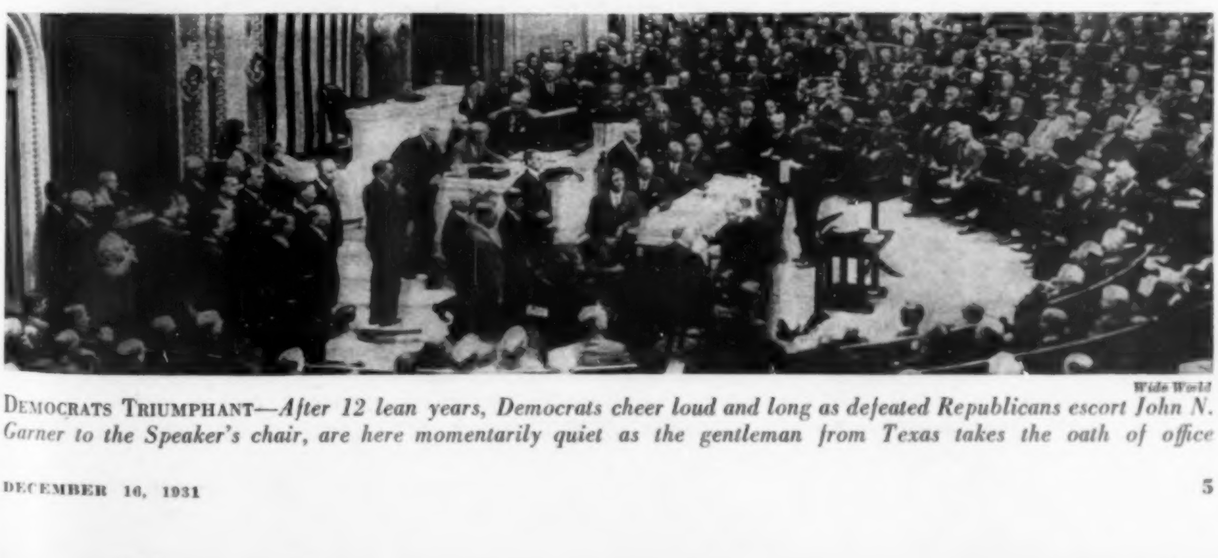
Credit paralysis is the core of the nation's difficulty today, the President says, and his major proposals are all addressed to the problem of putting the country's credit resources to work. If this can be done, he is "confident we can make a large measure of recovery independent of the rest of the world." He promises a separate message to deal with foreign affairs, remarking meanwhile that we should have recovered "long since, but for the continued dislocations, shocks, and setbacks from abroad." The plight of the railroads—which is a piece of the credit problem—is the third major obstacle to recovery.

The President suggests four steps to "reestablish confidence and thus restore the flow of credit." They are: creation of a "Reconstruction Corporation," which is the War Finance Corporation under a new name to fit a changed job; a new fiscal program for the government; creation of home-loan discount banks and further help for Federal Land Banks; reform of the banking laws.

A Relief Omnibus With a 2-Year Run

MOST spectacular of all his proposals is the Reconstruction Corporation. It is to be a relief omnibus, aboard which railroads, exporters, agricultural organizations, industries, banks, and other financial institutions can ride. The Treasury is to subscribe stock; the Corporation may issue its own debentures; it should be put into liquidation in 2 years.

The proposal is even broader than



Wide World

DEMOCRATS TRIUMPHANT—*After 12 lean years, Democrats cheer loud and long as defeated Republicans escort John N. Garner to the Speaker's chair, are here momentarily quiet as the gentleman from Texas takes the oath of office*

forecast when Washington and Wall street first began to hear some such agency would be proposed.

The President's intention is to give it great scope, "in order that the public may be absolutely assured and that the Government may be in position to meet any public necessity." No suggestion of how much money the Treasury should provide is offered; all other details also are left entirely to Congress to determine. Bills have been introduced providing $500 millions, equal to the capital of the War Finance Corp.

Fiscal Plan Calls for Balanced Budget by Taxation in 2 Years

THE President's fiscal program insists that taxation must balance the budget except for debt retirement by July 1, 1933, and must wholly balance the budget by July 1, 1934. This calls for the 1924 tax basis, which had a broader income tax base than later laws, and selective sales taxes. This increase in taxes should be specifically limited to a 2-year period.

In the meantime, borrowing to "the utmost safe limit of . . . capacity" will be necessary, to meet debt service, to finance the emergency proposals in the message and cover the accumulating deficit of the year ending June 30, 1932, which will be $2.1 billions.

Next Year's Deficit

The budget estimate foresees a deficit of $1.4 billions in the following year unless taxes are raised. The new taxes the President proposes are estimated to yield $920 millions for the year ending June 30, 1933.

The President vigorously asserts that anything less conservative than this program "will destroy confidence, denude commerce and industry of its resources, jeopardize the financial system, and actually extend unemployment and demoralize agriculture rather than relieve it."

In his budget message, he calls upon the country to refrain from pressing Congress for appropriations as "the most patriotic duty they can perform at this time."

Opposes Hearst Plan

Thus the President flatly opposes the campaign of Hearst and others for a $5-billion bond issue to provide general employment on public works.

As time passes, Congress will undoubtedly ride over this economy program, sometimes with the idea of providing work, more often with the idea of dividing some pork. Appropriations for the home district have great appeal even in boom days, and there is no way to abolish logrolling.

But as a general proposition, a large majority in both Houses approve the President's idea of limiting appropriations, and holding down both the amount of taxes to be levied and the amount of bonds to be added to the national debt.

This policy, and the idea of the tax program proposed by the President and so generally approved by Congress, were set forth in *The Business Week* (Sept. 23).

Naturally, no individual senator or representative would accept the 1924 tax law *in toto* if he had his individual way. Comment on the message at this time shows this. But of course the Act of 1924 was not as any one man would have written it. It was made up of a thousand compromises. The President now hands back to Congress its own compromise, and indications are that there is no particular disposition to tear it to pieces now, just because the House has meantime gone Democratic and the President lacks the prestige which Mr. Coolidge enjoyed at the time.

Mr. Coolidge and Mr. Mellon were the authorities for the statement that this tax plan will add 2 millions to the list of income tax payers. At least they said that number was subtracted in 1924. The 1924 law exempted incomes of married persons only up to $2,500;

Wide World

COMPLAINT DEPARTMENT—*Waving clenched fists, "hunger marchers" paraded before the Capitol, were welcomed with soup and machine guns*

(present law, $3,500), and single persons up to $1,000 (present law, $1,500).

First reactions in Congress to reenactment of the 1924 tax law, "with such changes as may be appropriate in the light of altered conditions," show more opposition to this lowering of the exemptions than to almost any other feature.

The argument is that in 1924 most persons with incomes ranging between $2,500 and $3,500 had but recently been boosted to that point; a wave of prosperity had succeeded the depression of 1921 and 1922. But most persons receiving such incomes now, it is insisted, have just been reduced to that figure, so that they are feeling very poor indeed.

The sentiment for increasing the surtaxes, however, as pointed out in *The Business Week* several times, is so strong that the President's recommendation almost makes it unanimous.

The President made no recommendation for revenue from legalized beer, but no one really expected him to do that. And while there will be a great deal of talk about it, there is no possibility of revenue from this source by action from the present Congress.

Seven Proposals to Help Banks But All Details Left to Congress

SEVEN proposals constitute the President's attempt to strengthen the banking system, thus re-instill confidence and put to work the large amounts paralyzed by hoarding. All business would be aided, but especial attention is given to real estate.

The branch banking suggestion simply recognizes much popular feeling and reiterated recommendations of the Comptroller of Currency, but the President is completely vague as to details. Secretary Mellon flatly advocates branch banking within trade areas. The Reconstruction Finance Corp. should aid banks. Relief to depositors of closed banks likewise is a popular demand, and one on which the Comptroller is understood to have a definite plan. Congress will, of course, want to relieve these unfortunate depositors if possible.

Takes Advanced Position

Separation of various types of banking, meaning deposit and investment banking, has been strongly agitated since 1929. The President goes further in advocating separation than many of his advisers who have suggested only examination of security affiliates. The President is extremely vague upon the subject of broadening Federal Reserve eligibility. His suggestion that more banks should be Federal Reserve members follows the more advanced thought.

The 2 other proposals have been made previously—the establishment of home loan rediscount banks and increased capital for the Federal Land Banks. Both are designed to free assets frozen in mortgages in banks at present, and to relieve the strain upon real estate. Increased capital for the land banks is generally favored. The Home Loan Banks also have general approval, increased by backing of the Conference on Home Ownership, despite earlier opposition by insurance companies.

Reconstruction Corp. To Lend to Railroads

THE President emphasized strongly the importance of the railroads' financial problem, pointing out that every citizen who has a life insurance policy or a savings bank account is an investor by deputy in railroads. He included the roads as probable borrowers from the Reconstruction Corporation; wants consolidations facilitated; wants competing services regulated.

Rumors are current that he was waiting for the I.C.C. pooling decision (page 8) and for the outcome of the wage negotiations, whereupon a special message will deal with the roads.

Generally, Congress favors regulation of buses, trucks, pipe lines, waterways, and favors also rail consolidations.

Anti-Trust Laws

The criticism that he does not outline in detail what he favors is also made against the President's references to modification of the anti-trust laws. Congress is heavily with the President that the laws should not be repealed, and for the reasons he states—that repeal would "open the door to price fixing, monopoly, and destruction of healthy competition."

But, the critics point out, he talks of the waste of natural resources, especially in soft coal, oil, and lumber, and then, without outlining any plan, commends the problem to the consideration of Congress.

Public Works

Though never referring to the campaign for a $5-billion loan for public works, the President pointed out that in this calendar year public works, including public building, harbor, flood control, highway, waterway, aviation, merchant and naval ship construction, will reach about $780 millions, compared with $260 millions in 1928. And the taxpayer is contributing to the livelihood of 10 million persons, counting veterans.

"I am opposed to any direct or indirect government dole," he asserted. "The breakdown and increased unemployment in Europe is due in part to such practices. Our people are providing against distress from unemployment in true American fashion by a magnificent response to public appeal and by action of the local governments."

Federal Power Control

He renewed, as "urgently needed in public protection," his recommendation for federal control of interstate electrical power through the Federal Power Commission.

The President would transfer the administrative functions of the Shipping Board to the Department of Commerce, under an assistant secretary. He would have the Shipping Board continued as a regulatory body, acting in advisory capacity on loans and policies. Coastwise shipping control would also be put under it, as well as rates and services on inland waterways.

The old idea of a Department of Public Works, in which would be consolidated all such activities now ramifying through various departments, except naval and military work, again is recommended. However this time the President does not propose cabinet rank for the head of this division. It is understood he agrees with the idea that perhaps there are too many cabinet members now.

Congress should keep its hands off the tariff at this session, the President insisted. The Tariff Commission is abreast of its work, having handled 254 subjects already, and is in shape to take up any new situation that may arise, due to lowered foreign costs or any other reason.

Meanwhile a stout fight is being made for a tariff on copper, and with some prospect for success. The fight for a tariff on oil is on, but isn't making so much headway.

Mellon Relies on Business To Find $920 Millions More Taxes

Plans to dredge bulk of increase from channels of trade and assumes a 15% pick-up in 1932

PROPOSALS for new taxation to meet the government's dire needs were made to Congress this week by Secretary Mellon, to whom Mr. Hoover's annual and budget messages had left the job with the Presidential blessing. They were considerably more severe than generally expected. If enacted into law they will load on taxpayers an additional burden estimated at $920 millions annually. As set up, the increases will be collected largely from business institutions.

Democrats Show Fight

Numerous Democratic Congressmen immediately expressed strong opposition to Mellon's proposals, and threatened to draft a substitute measure of their own. Democratic and popular opposition centers on the proposal to make individuals in the lower income classes pay more federal taxes, not only through the new income tax provisions but also in the various new and increased miscellaneous taxes which, for the most part, would be passed on to consumers.

The fight seems likely to be narrowed down to the question of whether the appeal for the lower income classes shall be allowed to stand in the way of the Treasury's anxiety to get out of its hole by raising money in the easiest manner possible. Democrats, on the side of exemptions, will have an issue whose popularity with voters may seriously embarrass the Administration.

He Asks for Enough

The inevitability of higher taxes had been generally realized in view of the Treasury's position. They have been frequently predicted by *The Business Week*. Mr. Mellon undoubtedly asked every mill that he thought he had any chance of obtaining—and a little more perhaps to remedy this position. The Administration expects, with the additional taxes, to get $400 millions in the Treasury by June 30, 1932. That would mean borrowing $1,300 millions of new money and retiring no net debt through the sinking fund. These measures will meet the $2.1-billion deficit foreseen this year. The $920 millions expected from the new taxes in the fiscal year 1933 are expected to balance that year's budget except for the sinking fund, and in the fiscal year 1934 it is hoped to balance the budget including the sinking fund. But, says Mr. Mellon, "in making forecasts of revenue it has been assumed that in the calendar year 1932 there will be definite improvement in the general conditions of industry and trade"—15%, he amplified later.

Modeled on 1924

In general the new taxes follow the plan of the Revenue Act of 1924; by doing this the Administration seeks to avoid the uncertainties connected with levying new taxes upon business. Close parallels with the 1924 Act are seen in the call for higher corporation and individual income rates and lower individual exemptions but Mr. Mellon goes much further on elimination of exemptions for smaller corporations. His proposal to lower individual exemptions fits in with the desire to put income taxation on a broader base. The move for a stiff increase in surtaxes embodies so-called "liberal" thought, as does that for a raise in estate duties through a surtax.

Special Taxes Steep

Special taxes are steep in most cases, and doubtless will be fought hard by the special interests affected but their extremely wide incidence and ease of collection make a strong appeal to the Treasury. The increase in tobacco taxes puts more weight on a good horse and higher stock transfer taxes load more on an erratic animal. Lower exemptions on admissions will apply existing rates much more widely. A rise in postage is advocated to get the Post Office Department out of the red.

The re-imposition of the automobile tax has been much discussed and probably will be fought. The fact that it was a threat is said to have stimulated car sales up to now. Reimposition of the stamp tax on real estate conveyances follows 1924's example but is somewhat akin to hitting a man who is already groggy—though the blow is a light one.

Less familiar are the 5% tax on radios and phonographs, the 2¢ stamp tax on bank checks and the tax on communications, although the bank check tax was used during the Spanish-American War with satisfactory results from a revenue standpoint. It will probably increase the amount of currency outstanding.

Since the business institutions that pay in these taxes are likely to pass them on to customers—excepting the levies on incomes and estates—it is the latter who, for the most part, will have to carry the actual load.

City Ruled Immune From Anti-Trust Laws

IN what is believed to be the first test of its kind to be judged by a superior court, the Supreme Court of Idaho has declared that a municipality is not subject to anti-trust laws. Supporting the opinion of the Bingham County District Court, it refused to grant the suit of receivers of East Idaho Gas Co. against the City of Idaho Falls and ruled that, in writing the state anti-trust law, the legislature clearly intended to limit it to private corporations.

The gas company held a 50-year franchise to supply gas, except for lighting, in Idaho Falls; in 1924 it began the distribution of manufactured gas from a $75,000 plant. The city, which owns and operates a hydro-electric plant, passed an ordinance establishing a low rate for current used in heating water and restricted use of the low rate to persons using electric ranges.

Charging that this action was for the purpose of monopolizing the business of selling heating units, the gas company brought suit. It also charged that the municipal company was selling current for cooking and heating at less than cost to force it out of business.

Farmers Seek 1926 Prices And a "Rubber Dollar"

THE country's organized farmers have completed their diagnosis of, and picked their remedies for, the depression. These are set forth in a resolution adopted by the American Farm Bureau Federation in convention assembled at Chicago this week. Like other groups, the farmers are focussing on monetary policy, pushing monetary problems into the foreground.

It now requires 45% more of all commodities, 70% more of farm commodities to pay taxes, interests, debts, and other fixed costs than it did a few years ago. The principal cause of this deflation in value is monetary. Two

kinds of treatment are needed: (1) restoration of prices to about the level of 1926, the average at which present debts were incurred; (2) stabilization of the purchasing power of money. Thus their diagnosis and general recommendations.

Specific remedies proposed: (1) Congressional action to make mandatory upon the Federal Reserve the full use of its present powers to restore the price level—by open market purchase of eligible securities, lowering rediscount rates, putting a liberal interpretation upon rediscount eligibility rules; (2) Congressional action to empower the Reserve Board to raise or lower reserve requirements; (3) Congressional action to empower the Board to raise or lower the price of gold.

The last proposal—to vary the gold value of the dollar at will—gives Prof. Irving Fisher's "rubber dollar" what is to date its most important political backing. Professor Fisher acted as consultant to the Federation's Committee on Stabilization of the Unit of Value.

Congress will, as always, listen with respect to the recommendations of the members of this politically potent organization. But, like their equalization fee, their monetary proposals stand little chance of adoption in detail this session.

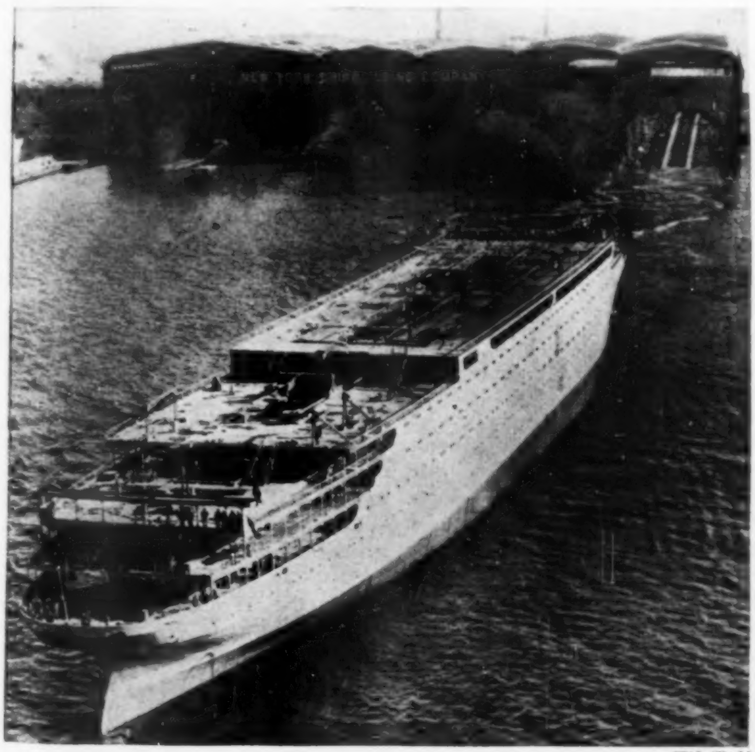
Home-Ownership Plan Now Up to Congress

THE plan to relieve the pains of present home-owners and the financial institutions behind them and to encourage home-ownership by putting it within the means of more people is now up to Congress and all the other agencies that must cooperate to insure its success. The President's Conference on Home Ownership has endorsed Mr. Hoover's sponsorship of a Federal Home Loan Bank and pledged support of Administration efforts to have the approved system enacted into law.

The proposals contemplate an institution with $150 millions capital subscribed by Congress and repaid by its clients. Operating funds are to be provided by the sale of bonds secured by discounted mortgages. Proponents are confident that some way can be found around the serious obstacle that the present market raises to the sale of bonds in time to meet the present emergency. Earlier opposition to the proposed home-loan banks now seems to have faded.

Back of the widespread interest in the program is the popular conviction that stimulation of home ownership will help to get us out of this depression, to keep us out of future ones and to build a more solid citizenry.

Since more adequate financing of homes is calculated to step up the stimulus, the President's Conference dealt extensively with ways and means to this end. It also examined a host of other home-owning and home-building problems and made available a mass of information and recommendations on community planning, zoning, design and construction, taxation, modernization, slum elimination, decentralization of industry, large-scale housing, research, and related matters.



Wide World

BIGGEST BUILT HERE—*The "Manhattan," new 30,000 ton ship for the U. S. Lines, slides into the Delaware River. She will cost $10 millions*

Lumber Dealers Enter The Small-Home Field

THE next 10 years will be the "golden era of lumber dealers" if National Homes Finance Corp.—home-building credit organization of Associated Leaders of Lumber and Fuel Dealers of America—is successful. At Chicago this week several hundred leading dealers, representative of the 1,100 association members, discussed the program in detail, approved it wholeheartedly.

Set up a few months ago (*BW—Jul 29'31*), the plan is designed to take small-home building out of the hands of speculative builders, where it has rested since the war, and return it to lumber dealers who believe they can give better service.

Small House Shortage

There is an undeniable shortage of houses for persons whose incomes permit them to spend little more than $5,000 for a home. To tap this vast market requires honest and economical construction and easy financing. The Finance Corp. is expected to make available houses designed by good architects, built in workmanlike fashion of the best materials, financed up to 75% of the cost of house and lot on terms which amortize the loan in 15 years by monthly payments of $8.44 per thousand.

Capital of $2½ millions was planned for the work; $1 million has been subscribed by dealers, another million is expected from building material makers.

Competition for small-house business involves: speculative builders, mail order houses, real estate operators, building and loan associations, lumber dealers. If the proposed real estate mortgage bank is set up it should give loan associations a boost in the battle, but lumber dealers believe their easy financing of guaranteed quality homes with bronze tablets trademarked "First National Home" will put them ahead.

Railroads Find I.C.C. Compliant, Labor Determined to Bargain

End eventful week free to use new freight revenues as loans but with wage issue blocking the track

RAILROAD men are busy counting the gains and losses of what has turned out to be one of the most eventful weeks in railroad history. On the favorable side they count the Interstate Commerce Commission's approval of the loan pool plan and President Hoover's recommendations for railway relief. On the unfavorable are labor's apparent determination to fight wage cuts and the omission of dividends by a number of large roads.

All Strings Cut

I.C.C.'s decision on the railroad pool plan is a complete surrender of its original stand. The effect is to cut all the strings previously attached to the prescribed freight rate increases and merely to put the railroads on their honor to come to the aid of their financially weak brethren.

The carriers are given a free hand to organize a credit corporation for the handling of loans without I.C.C. supervision. They are released from the commission's previous requirement that any subsequent reductions must be made in basic rates rather than in the increases allowed. They are also permitted to apply the prescribed increases on a tonnage instead of a per car basis, and to increase all less-than-carload rates by 2¢.

General Support Expected

In deciding to let the railroads seek salvation in their own way, the commission was prompted by the belief—disputed by Commissioner Eastman—that its original plan of putting weak roads on the dole was so repugnant to the carriers that it never would become effective. Motivated by self-interest, the loan plan is expected to command the support of all carriers. Railroad executives who participated in drafting it are confident that, by giving them a free hand, the commission has greater assurance that the interest charges of needy roads will be met than if it had attempted to stake down the plan at every point.

The commission washed its hands of any further responsibility by finding that, under its statutory authority, it can neither approve nor disapprove the loan plan or the Railroad Credit Corp. When treated as loans rather than gratuities, the funds derived from the rate increases do not constitute pooling under the terms of the Interstate Commerce Act and so the commission held that it has no jurisdiction over them.

In a vote of 7 to 4 Commissioners McManamy, Porter and Mahaffie joined with Commissioner Eastman in upholding the original pooling plan. This militant minority points to obvious weaknesses in the carriers' alternative, asserts that there is no assurance whatever that it will accomplish what the commission intended. Loans, it finds, will lie largely in the discretion of the Railroad Credit Corp., a non-carrier company subject to no public regulation or supervision; no needy carrier eligible under the plan will be able to compel a loan through mandamus if the corporation rejects its application.

Further Indictment

Weak roads, it notes, may be tided over immediate danger of default only at the expense of further attenuation of their credit and a mounting indebtedness. The minority concludes its indictment of the loan plan with the observation that it is not difficult to understand why weaker lines should hesitate to antagonize the stronger ones and the "railroad financial fraternity" by supporting the commission's original plan at this time.

Given permission to file their tariffs on short notice, the railroads are expected to put the new rates into effect Jan. 1. It is probable that, in the first instance, the full measure of the authorized increases will be applied. It is up to the railroads themselves to prevent cuts that would precipitate a rate war resulting in the collapse of the whole scheme. A meeting of the Association of Railway Executives to obtain the endorsement of the individual roads to the loan plan and to arrange for the organization of the Railroad Credit Corp. was called for the week end.

To Yield $125 Millions

The prescribed rate increases, which are to stay in force until March 1, 1933, are expected to yield $125 millions in 1932. The I.C.C. also estimates that the higher classified freight rates in the Eastern and Western trunk line territories which it ordered effective Dec. 3, despite the opposition of carriers, should bring an additional revenue increase, though railroads are skeptical since, under the commission's order, the higher rates apply to short hauls for which competition with trucks already is bad enough, while the rates on long hauls are reduced.

The I.C.C.'s annual report submitted to Congress this week affords the carriers some cheerful reading in its chapters on the railroads' future and recommendations for more law to improve their situation. But most of it is a re-write of ideas which the commission has expounded so freely in the recent past. President Hoover's recommendations for railway relief in his annual message do not offer anything new.

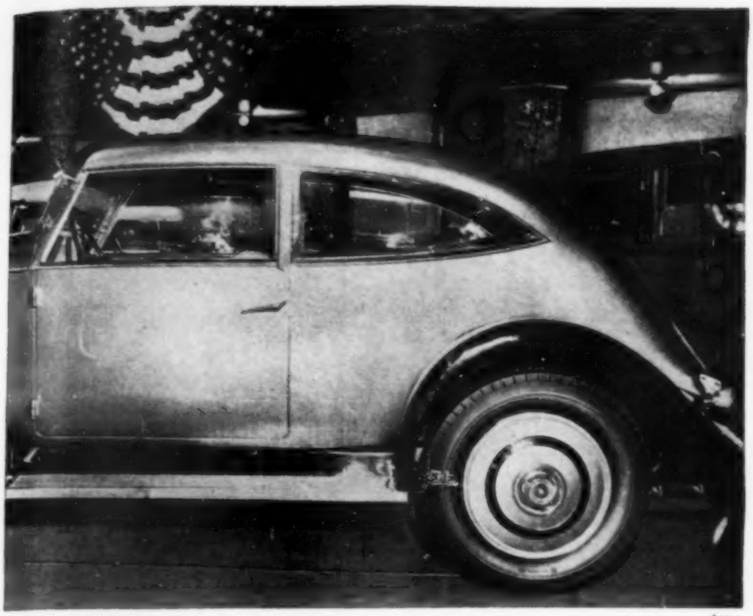
Regulating Competition

Urging again that bus transportation be regulated and promising to make recommendations for truck regulation soon, the commission suggests that Congress provide for an investigation of the competition of motor, water and air carriers. It wants refrigerator car and freight forwarding companies, now playing hide-and-seek with rates, to be placed under its stern control. It suggests among many other things that 5¾% should be discarded as a standard of earnings in favor of a varying percentage of fair return to be applied to a rate-base that may or may not be the railroad property value; which plan, coupled with repeal of excess-earnings recapture, would help the roads to recoup in good years losses incurred in lean ones.

Labor Raises Obstacles

Developments at the Chicago meeting of 1,500 railway union chairmen have so far given the carrier executives no encouragement that wage cuts will be accepted voluntarily. Conferences during the first 4 days of this week were confined mainly to a discussion of employment stabilization, including the 6-hour day and other proposals which union leaders put before the railway executives at New York a few weeks ago.

On the question of wage cuts, the attitude of many labor chiefs seems to be that the unions should mark time and let the railroad managements take the initiative, thus forcing them to go through the intricate procedure under the Railway Labor Act. That all roads may not want to resort to such proceedings was indicated this week when the Chicago & North Western Railway, rejecting mediation, ordered a cut in the wages of its maintenance employees.



STREAM LINE PIONEER—*The Rolls Royce which aroused so much comment at the Custom Salon. The roof sweeps down clear to the bumper to minimize the effects of the air pocket at the rear*

New Motor Models Base Appeal On Changes in Transmission

Ford, like other makers, is expected to feature easy shift, perhaps free-wheeling

THE new Ford is in production. Parts suppliers, including Murray Corp. (bodies), Kelsey-Hayes (wheels), have started operations. Tentative schedule for December is 25,000 cars; January, 100,000. First public display is expected early in January when dealers in metropolitan territories will be provided with display models.

Details are still unavailable but 4-cylinder, streamlined bodies, easy-shift —perhaps free-wheeling—transmissions, and longer wheelbase are safe bets. With Chevrolet new models at old prices Ford is not likely to alter his list much.

Ford's new transmission again calls attention to the emphasis that designers have been putting on this equipment. The latest Studebaker, announced this week, has a new free-wheeling unit which provides free-wheeling at all forward speeds and synchronized gear shifting. The unit, in the form of an over-running clutch, is now located behind the gear box. Studebaker also has longer wheelbase, lower and larger bodies, automatic starter, automatic ride control by a new type of shock absorber, and vacuum spark control.

The new Reo, soon to be presented, will also have automatic clutch control incorporating free-wheeling. The new Hudson will have an automatic choke control, making it impossible to drive with the choke closed.

Chevrolet's 1931 volume has been but 5% below 1930. Its dealers will profit $12 millions more than last year, according to H. J. Klinger, sales vice-president. These profits will go to 62% of them; 20% broke even; 18% lost money.

Despite increased competition and generally poor business this year General Motors Corp. increased its cash holdings $85 millions and 9 independent car makers made profits for 9 months in which they recorded losses last year. Low-cost production will be necessary to survival through coming months. General Motors has saved over $75 millions in production costs.

November automobile production of 66,000 units brought the 11-month total to 2,344,000—30% below 1930. Detroit hopes for a 20% increase next year; new models are being priced on this expectation.

Commercial car sales have held up better than those of passenger cars: 285,000 for 10 months compared with 369,000 in 1930. Ford continues to lead Chevrolet in this field although he has been whipped in passenger car sales.

General Motors Truck Co. has extended to Baltimore its Sterritt Operating Service which leases standard models to operators, services and insures them and pays all operating expenses except drivers' wages. The service is also available in Washington and Richmond.

Official Auto Scrap Yards May Now Sell the Pieces

AFTER a 2-year test of its scrapping plan, the National Automobile Chamber of Commerce has relaxed the rules to allow resale of parts, thus, indirectly, gain dealer cooperation.

Under the original plan (*BW—Jan 15'30*), dealers received rebates from the factory for each car completely scrapped—parts and all—on the basis of the number of new cars sold. Scrapping companies organized under the plan—such as Cleveland Guarantee Auto Scrapping Co.—found that without the sale of parts operations were unprofitable.

Manufacturers producing nearly 90% of total car output subscribed to the official plan, yet 1930 scrapping by their dealers accounted for less than 350,000 of the 3 million cars taken out of service. Professional wreckers got most of the business: able to sell used parts, they could outbid the organized dealer units.

The market for used parts can be satisfied with 1 car of every 4 junked; parts are usually for cars 5 years old, a nuisance and expense for factories to handle. Then, too, the Chamber realized that, despite its natural reluctance to prolong the life of old cars, determined owners can readily obtain used parts from wreckers anyway.

There are cooperative salvage units ready to take advantage of the new program. The Institute of Scrap Iron & Steel is cooperating, hopes to get appointments as official scrap yards for its members, scrap experts with established sales outlets and adequate equipment.

Under the new plan, approved scrap-

ping yards will get the business of dealers participating in the N.A.C.C. plan; permitted to sell scrap parts, they can bid on equal terms with wreckers. The Chamber's car-scrapping department will post them on improvements in demolition work, marketing trends, help in establishing efficient business methods.

Dealers who now must await the convenience of the factory representative as a witness of the scrapping operation, welcome extension of approved yards. They would save the extra expense of storage and labor, which led many dealers to forego the rebate and sell their junkers to public wreckers.

Before the plan can be fully effective, at least 100 yards must be established; ultimately it is hoped to have at least 300 yards so that there will be one within 50 miles of every dealer.

Wholesaler Finds Dealers Showing New Interest

LAST-MINUTE purchasing for holiday trade and revived dealer interest in re-stocking are considered responsible for the exceptional response to a timely sales effort, reported by E. B. Latham & Co., old-established wholesale distributors of electrical and radio merchandise.

In a special letter to 2,500 dealers, the company recently announced a new 1932 catalogue devoted exclusively to electrical appliances and radios. The letter emphasized the sales value of carrying complete stocks and being able to make immediate deliveries. An unfranked return postcard was enclosed.

The second day after mailing brought 403 requests for copies of the catalogue and the third day piled up 120 more, totaling a 20% response in 2 days. Replies are still arriving.

Within less than a week several new dealer accounts have been opened. Cash counter sales to dealers have increased, systematic follow-up by salesmen is expected to build larger returns.

Previous efforts, using return cards, had brought less than 5% response.

Abandons Direct Selling As Market Thins Out

ANNOUNCEMENT by Eureka Vacuum Cleaner Co. that it will discontinue direct retail selling completes a significant cycle of policy changes.

Originally the company's products were sold through dealers. Failure to obtain desired sales volume by that method prompted abandonment of the plan in favor of mass retailing.

District branch, sub-branch offices or retail stores were established in important trading centers as headquarters for a corps of 3,000 salesmen selling direct to the home by high-pressure methods.

Maintenance of this nationwide retail chain, for but one line of products, profitable when mass selling produced a continuous flow of sales, was found less desirable during a sustained period of restricted buying. Sales at peak of $12¾ millions in 1927 began to drop in 1928, fell to less than $7 millions in 1930.

Anticipating return to the former method of dealer selling, 75% of the retail selling branches already have been closed. Department stores and utilities will handle Eureka cleaners, in some sections support house-to-house selling by manufacturer's salesman.

Aside from substantial savings in rental, the company will be relieved of warehousing, deliveries, instalment accounts, credit losses. It expects to improve operating profits even if dollar sales volume should decline under the present plan.

Acme

HE TOLD THEM—*Charles F. Abbott, executive director of American Institute of Steel Construction, as he testified before the La Follette committee which seeks a solution for depression problems*

Separate Organization for Class and Mass Sales

EATON, CRANE, & PIKE CO. (Pittsfield, Mass.) descendant of a writing paper business established in Maine in 1893, has decided that class buyers and mass bargainers are best served by separate selling organizations. After the first of the year, coverage will be through 2 self-contained, entirely independent operating units to serve the widely differing types of trade.

Up to now, Eaton, Crane, & Pike Co. has taken the output of paper from Z. & W. M. Crane, Inc., of Dalton, Mass., and Eaton Paper Company of Adams, Mass., converted it into other products and stationery chiefly sold under the trade names Crane's Linen Lawn and Eaton's Highland Linen.

The Crane line was popular among high grade stationers, printers, and engravers, much used for social purposes; the Eaton line was designed to appeal to a wider range of buyers.

Under the new arrangement, Eaton, Crane, & Pike will become chiefly a holding company leasing its property for manufacturing purposes.

Z. & W. M. Crane will manufacture at Pittsfield the present Crane line and sell through its own sales organization, to be staffed chiefly by men now in the employ of Eaton, Crane, & Pike Co.

Similarly, Eaton Paper Co. will manufacture at Pittsfield and build distribution through its own sales force recruited from the parent company.

Branch offices and warehouses will be taken over jointly by the separated units.

Canned Goods Pushed As Christmas Gifts

NATIONAL CANNERS' ASSOCIATION proposes to increase the sale of canned goods by capitalizing the anticipated trend toward giving of practical Christmas gifts. It is organizing a campaign among canners, wholesalers, and retailers to urge canned foods as gifts, will stress the plan as part of its national advertising program (*BW—Nov18'31*).

Special window display materials, Christmas labels, gift packing cases for canned goods are to be distributed to cooperating wholesalers and retailers. Case-lot combination offers will be available to the consumer. Assortments of canned goods will be recommended as suitable gifts to needy families.

Lower Tire Prices Set as Lure For the Prospects Who Got Away

With rubber and cotton down and dealers falling down, manufacturers make drastic cuts

TIRE-MAKERS have announced further drastic reductions carrying prices 5% to 20% below previous schedules, already at lowest levels on record.

Prices previously quoted were established in January, 1931, when crude rubber sold for 8½¢ per pound, cotton at 10¢. Several tire companies, one mail order house, were then reported to have accumulated heavy stocks of these raw materials at or near what were presumed to be bottom price levels.

Since then prices on both commodities have worked still lower, now stand at 4½¢ for rubber, 6¢ for cotton.

Meanwhile, replacement buying has been disappointing, stocks have become heavier than desirable. Some manufacturers feel that many dealers have fallen down on salesmanship, failed to alarm motorists into discarding old smooth-worn tires for new ones with safer treads, neglected to capitalize low prices. The recent experience of B. F. Goodrich Rubber Co.'s president, James D. Tew, supports this contention.

Mr. Tew equipped a touring car with old worn-down, dangerous-looking tires, took the road incognito and on some sort of pretense asked some 40 dealers to check his air pressure, or in some other manner directed their attention to his tires. Many first-class stations and chain units were included among his stops. Only one man put up a sales talk.

The price cuts just announced are expected to accomplish what many delears have failed to do, and are timed to reinforce the appeal of new nonskid treads for winter driving.

Firestone reductions average about 10% under lowest levels in the company's history. Goodyear has pared prices on standard tires 5% to 15%, on inner tubes 15%, but has left its de luxe and second line schedules undisturbed. Similar reductions were announced by Goodrich, Seiberling Mohawk, and Master Tire & Rubber Co.

Lee's new schedule is 5% to 12% lower; Fisk has cut passenger car tires 5% to 11%, truck tires 9% to 19%, tubes 15%. General reports reductions averaging 10%, with Ford-Chevrolet size 4.75x19 now approximately $1.15 lower and size 6.50x19 cut $2.47. United States schedules show passenger car tires down 10% and truck tires 10% to 19% lower.

Distributors Follow

National distributors have or are expected to follow. Standard Oil Co. of New Jersey and its Atlas Supply Co. have cut prices on Atlas tires 10% to 15%, effecting these reductions with slight variations at all of the Standard Oil service stations. The mail order houses are expected to announce new schedules in forthcoming catalogues.

That the tire industry's estimates for 1931 sales volume—set at 45 million casings for replacement business, 16 million for new car equipment—(*BW—Feb4'31*) have not materialized is shown by statistics representing 80% of the country's production capacity and compiled by The Rubber Manufacturers Association.

The reporting manufacturers shipped during the first 10 months of 1931 for all purposes slightly under 36 million casings or 5.35% less than in the same period 1930, actually produced less than 35 million casings, 4.17% under the comparable 1930 total. Even if last November and December schedules should be duplicated, the total will still be more than 30% under estimate.

No Price Fixing

Interesting is the fact that the association's bulletin service, while apparently serving a useful purpose as a guide to manufacturers preparing production schedules, obviously had no effect on price fluctuations.

Contrary to what opponents of such activities claim, the major movements of tire prices have substantially followed the price curve of raw materials.

Meanwhile, manufacturers' annual statements are expected to reflect adjusted operations to meet present low raw-material and selling price levels.

Seiberling Rubber Co., first to report fiscal year operations (ending Oct. 31), shows earnings of $850,089 against a loss of $1¼ millions for the previous year, credits this to its new "air cooled" tire (*BW—May6'31*).

Maintaining its record of never having passed a dividend since the company was organized in 1915, directors of the General Tire & Rubber Co. on Monday declared the regular quarterly dividend of $1.50 a share on its preferred. Its recent purchase of Yale Tire & Rubber Co. is reported to have been made chiefly out of earned surplus.

The Business Week

WORKING BOTH ENDS—*George T. Stevens, Framingham, Mass., is in the refrigeration business, sees no quarrel between ice and electric refrigeration. His icemen find their "leads" in the kitchens of dissatisfied ice customers, get the first chance at prospects for electric refrigeration*

New York's Fight on Loose Milk Brings Price Per Bottle Down

THE price of bottled milk in New York City has dropped 2¢ a quart following the report made by a milk investigating commission 2 weeks ago recommending a ban on the retail sale of loose milk.

First to bring the price down was the Dairymen's League Cooperative Association, moved to take this step by the increasing competition of independent dealers through price cutting on bottled milk as loose milk sales began to decline. Borden and Sheffield Farms followed suit, reducing their prices 2¢ on both store and house deliveries.

The ban on loose milk was recommended as a precautionary measure on the ground that loose milk is exposed to contamination and because its distribution from cans results in many people getting milk of inferior quality. The commission stated, however, that there is no record of any case where a disease was traced definitely to the sale of loose milk. And it recommended that, because of present economic conditions, the ban be not put into force before January, 1933. New York is the only large city in the country which permits the sale of loose milk in retail stores; most other communities prohibit it.

Hits the Masses

The prohibition, if adopted, would affect over a million quarts sold daily to the public from cans. It would not affect the 700,000 quarts of loose milk sold daily to hospitals, hotels, restaurants, bakeries, and manufacturing establishments, which would remain exempt.

Both Borden and Sheffield, largest New York distributors, have so far maintained a neutral attitude during the milk controversy, the bulk of their business being in bottled milk. The opposition has come from the independent loose milk dealers, whose counsel, Samuel Untermyer, argues that the ban would impose a heavy burden on the poorer classes because of the higher price of bottled milk. Before any action is taken, public hearings will be held before the city's Health Board.

The American Sealcone Corp. of New York expects to benefit from the ban on loose milk. This company has taken an active interest in the loose milk fight and hopes that many of the independent dealers will adopt its handy paper milk containers (sealcones) for store distribution. Sealcones are being turned out at the rate of 50 million a year, and sales are reported on the increase. To expand its business further, the company has recently put out a tomato juice container and a paper motor oil bottle that will reduce the price of oil 4¢ to 5¢ in a tin can, and is now experimenting with containers for other uses.

In Boston, reflecting the competitive milk situation in other cities, the price of milk has been forced down to 10¢ a quart delivered.

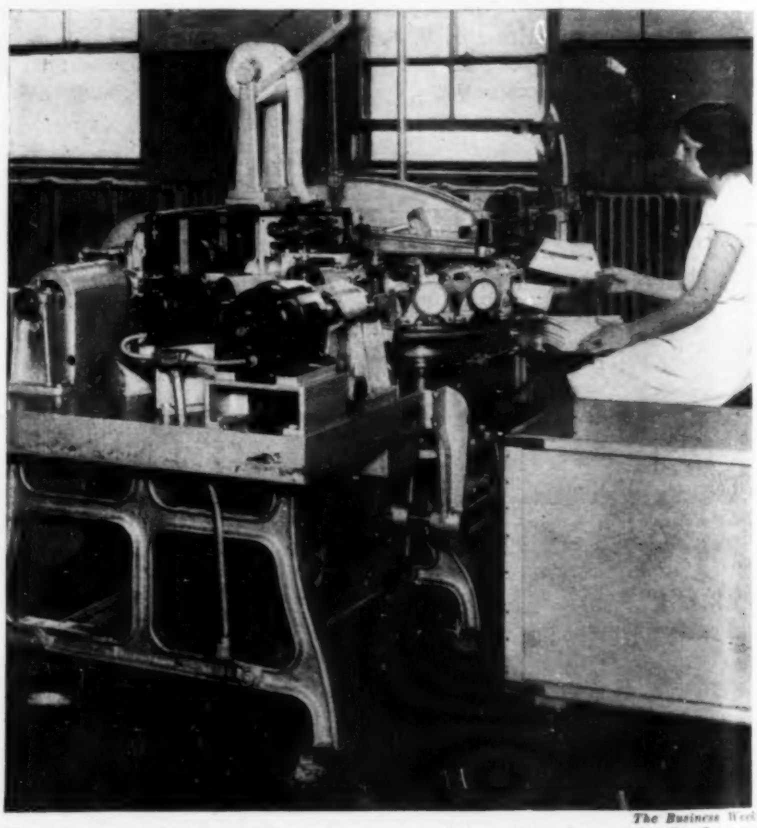
Cleveland Milk War Blamed on "Conspiracy"

WITHOUT waiting for the Sherman law to give way to price and production boards, a number of the smaller milk companies in Cleveland have brought suit against the larger ones for an injunction against price-cutting and other methods which they allege are delivering the milk business into the hands of the "trust."

Defendants include the Cleveland subsidiary of National Dairy Products and Dairymen's Milk, a company owned by about 100 farmers and city men.

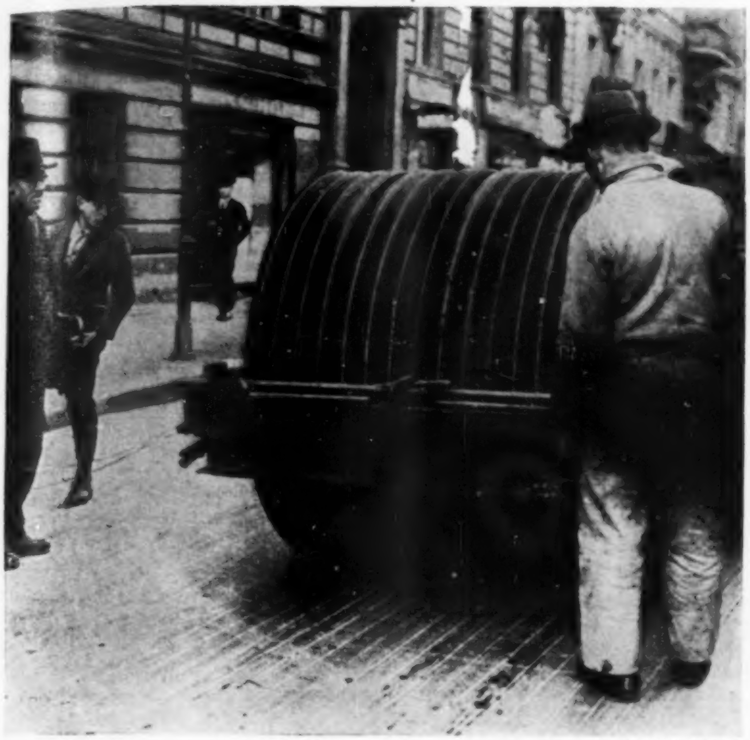
The suit alleges the existence of a conspiracy to eliminate competition by reducing prices to the consumer, by raising prices to the producer, and by offering, Dec. 17, a free bottle service to customers of the chain stores. These companies have a large outlet through the chain grocery stores, which have been charging 3¢ for the bottle and rebating on its return.

The petition asserts that the independent dealers have been forced by their powerful competition to charge less for their milk and pay the farmers more. Among the plaintiffs is a retail company owned by the Ohio Farmers Cooperative Milk Association. This association is in federal receivership as the result of its inability to pay a loan of $400,000 from the Federal Farm Board. The association consists of part of the dairymen who supply the Cleveland market, and its officers have com-



The Business Week

PACKAGES FOR MILK—*The machine in the dairy which forms the Sealcones from ready-cut and printed blanks. Other semi-automatic machines coat the paper bottle with paraffin, fill it with chilled milk, and make the seal*



International News

RE-TREADING THE STREETS—*Berlin gets ready for bad weather, skid-proofs its paving by pressing grooves into the asphalt with a hot roller*

plained that the larger dairy companies, by outbidding the cooperative for milk, have been shutting it off from its natural territory.

The tangle of the cooperative goes back to the construction of a large processing plant for handling surplus milk and the difficulty of holding members after the capital assessments went on. As the co-op's membership declined and receipts shrank, it went into retail distribution, and this alienated dealer support. The co-op then turned to the Farm Board. Meanwhile, the powerful Pittsburgh Dairymen's Association has been merging groups in Cleveland territory, making dealer contracts, with which Ohio Farmers is forced to compete.

Road Building Is Providing Jobs for 3 Million Workers

AT least $1½ billions are being spent this year on highway programs, giving employment directly to 1 million men and indirectly—through the manufacture of materials and equipment—to 2 million more.

Contrary to general belief, nearly half this sum is being used for improvement of local roads. During 1930, when total state road expenditures were $980 millions, $850 millions were spent on local roads not part of state and federal highway systems.

We have 3 million miles of country roads and 250,000 miles of city streets. A major portion of the latter are improved but only 800,000 miles of country roads have been surfaced. Surfaced main highways total 300,000 miles, improved local roads 500,000. Federal aid has helped in the improvement of 90,000 miles of main roads, but 51,000 miles are of pioneer type without strong surfaces. Obviously forward-planned construction programs can be made important employment stabilization measures for many years.

Need for more road construction is shown in traffic data. There are nearly 40 motor vehicles in use for every mile of surfaced road; one result of this congestion was 33,000 fatal and 1 million non-fatal traffic accidents last year; totals are likely to increase again this year.

Recently emphasis has been transferred from main highways to local roads because local road systems are so much farther behind needs. During 1930, in 18 states which publish data, 52,000 miles of local roads were improved.

Financial trouble has been the chief obstacle to local road improvements; they have been financed almost entirely by property taxes. Taking care of heavy through traffic requirements has raised land taxes so high that many townships and counties throughout the country are virtually bankrupt, can no longer expand their road-building activities. Recognition of this has brought a constantly increasing flow of state funds to counties and townships from license and gasoline taxes and from general tax funds. Total payments to counties from states for road work was $44 millions in 1924, $164 millions last year, is likely to be much greater this year.

Local Direction Inadequate

Checking this trend is the growing opinion that local political units are incapable of carrying out adequate highway programs; that the entire road problem should be concentrated in a state-wide agency.

The 2 chief reasons for this change are given by *Engineering News-Record* as: (1) pressing demands for reduction of property taxes; (2) accumulating proof that in hard times local management is unable to carry on normal improvement programs, much less to help unemployment relief programs by accelerating road building.

Highway experts point out that $50,000-a-mile super-highways are not essential for road improvement; that, for local roads with restricted traffic, quite satisfactory jobs can be done for as little as $5,000 a mile under conditions which permit them to become the basis for further improvement to take care of future increased traffic demands.

"Prevailing Wage" Law Comes Under Fire

A CONGRESSIONAL investigation of the Bacon-Davis bill—which provides that contractors on public buildings must pay prevailing wage rates—is likely. Secretary of Labor Doak reports that the bill has had a beneficial effect upon the construction industry; has tended

The Business Week

PITTSBURGH SHORT CUT—*Arching over the wide Turtle Creek Valley, the George Westinghouse Memorial Bridge shortcuts the old Indian trail to the West, saves half an hour for Lincoln Highway travelers*

to maintain prevailing wage rates on private construction work; that contractors, generally, have complied with its provisions. Senator Wheeler of Montana has received complaints that workers on some public projects are being forced to rebate part of their wages, on others are being paid well below scales indicated in official records.

Congress is agreeable to the senator's demand for an investigation. Many members would like to know how the law works, others would like to extend its application to rivers and harbors work, flood control, and other public works besides building.

Patent Office Aids Job Relief

As an unemployment relief measure, the Patent Office has been granting priority of examination to patents which require the employment of labor and which applicants promise to put into production immediately after granting.

To receive this special consideration, the applicant must agree not only to expend a certain amount of money in the manufacture of the article patented but, within 3 months after the allowance of the application, must report to the Patent Office how much has been spent in its manufacture, the number of units produced, and the extent to which the operations have increased employment.

During the last fiscal year about 300 patent applications have been so specially treated. Returns already received indicate that a substantial number of workers have been given employment.

Ask Emergency Valve For State Building Plan

AFTER a 6-month study the Massachusetts Special Commission on Stabilization of Employment has recommended to the State General Court:

(1) Creation of a planning board to formulate a 5-year public building plan which, through the use of 5-year short-term notes equal to 10% of the estimated total cost of the plan, would permit a 50% increase in building operations during a year of depression. Thus, should the 5-year plan call for $50 millions expenditure—$10 millions to be spent each year—short-term notes for $5 millions would be authorized. If an emergency were declared the Planning Board would spend $15 millions during the year, the extra cost to be met by previously authorized notes.

(2) Further expansion of the state employment service to cover all employment centers adequately.

(3) More rigid control of private employment agencies; limitation of number and fees; state instead of local licensing.

The commission suggests 3 broad lines of approach to a solution of the unemployment problem: (1) regularization of industry; (2) better organization of the labor market; (3) increasing the employability of workers.

Other Relief Figures Paint Different Picture

CONVINCED that only federal appropriations can provide adequate relief to the unemployed this winter, representatives of 17 social, welfare, religious, and labor organizations met in Washington, presented reports on conditions intended to swing Congress to their viewpoint.

The reports are in startling contrast to the statements made by official bodies. It is probable they are on the side of pessimism, just as it is likely official statements minimize distress. Actual conditions probably are somewhere between.

NEW YORK—750,000 jobless; income loss, $100 millions. City fund, $15 millions. Public donations, $18 millions.

CHICAGO—600,000 jobless. Minimum winter needs, $21 millions. Total available, public and private, $9 millions. Legislature will be asked for $10 millions. In September, 44,000 families received relief of $845,000 or 1.6% of income losses.

PHILADELPHIA—241,000 jobless, 27% of wage earners; 156,000 on part time, 17.5%; 56,000 families, 1 out of 8, have no incomes. Minimum needs, $15 millions. No public appropriations.

ST. LOUIS—125,000 of 350,000 wage earners unemployed; 200,000 will need help. Available, $5 millions. In East St. Louis, 60% of 270,000 workers are jobless.

CLEVELAND—100,000 families need help. Need, $11 millions. Available, $2 millions subscription; $2 millions public.

CINCINNATI—45,000 unemployed, 20,000 of them family heads. Subscriptions, $250,000; public funds $1¼ millions. Needs, $200,000 a month more than is available.

ATLANTA—25,000 unemployed, 20,000 on part time. Relief given 5,000 families at $10 a week. Needs for 30 weeks, $1½ millions. Available, present and prospective, $800,000.

RICHMOND—30,000 unemployed. Available, $90,000.

BIRMINGHAM—25,000 unemployed. Available, $700,000.

LOS ANGELES—151,000, of whom 60,000 are family heads, registered as unemployed in city. County total, 250,000. Available, $600,000 subscriptions; $3.3 millions public. Last year's $5-million bond issue exhausted.

Even if heavily discounted, it seems obvious there is a wide discrepancy between needs and provision made to meet them. It is this which is recruiting the ranks of those who urge Congressional appropriations for direct relief.

Coal's Sales Agency Plan May Help But Is No Panacea

THE bituminous coal industry is greatly encouraged by the response to the proposal for central sales agencies to handle the output of each coal-producing field. Last week 70 coal men, including directors of the National Coal Association having operations in 10 producing states, unanimously adopted a program which calls for: (1) central sales agencies; (2) physical consolidation of mining properties; (3) tariff on petroleum to prevent displacement of domestic coal; (4) reduction of coal freight rates, now 68% above pre-war level and two-thirds of the delivered price of coal.

Propaganda committees for each of the 20-odd districts east of the Mississippi were formed to sell the agency idea to operators. This week at Cincinnati, operators of high-volatile mines of Virginia, Tennessee, Kentucky, and West Virginia meet for the first general discussion of the proposal.

Requiring 100% cooperation of district operators to be effective, there is doubt if the plan can be placed in operation in all districts. Cooperative spirit of bituminous coal operators is no greater than that of other industries. It does seem likely, however, that in some districts it will be possible to put the plan into effect and, if it proves successful, this will provide great impetus for its extension into other fields.

Chief benefits of the sales agency would be to eliminate cut-throat competition among operators in a district, confine it to interdistrict competition. Products of each district would be sold at a uniform price fixed by agency officials.

More Fundamental Problems

While commending the usefulness of the plan, *Coal Age* warns that its greatest danger may be the enthusiasm of its friends who may expect too much from it. "The district sales agency is in no sense a panacea for the basic ills of the bituminous coal industry," *Coal Age* asserts. "Neither can this plan function to its full effectiveness until and unless the other still more fundamental problems are vigorously attacked and solved."

There is strong opposition from producers who have built up a reputation for quality and performance which they are loath to lose in the anonymity of a central sales agency. *Coal Age* quotes a leading coal expert as suggesting that if the proposed agencies were restricted to handling spot sales, this argument would be met.

Power Commission Asks for More Authority

TWICE as much electric power was transmitted across state borders in 1930 as in 1926; in 1930 was 13% of the total generated. This interstate traffic is out of the reach of state regulation.

The Federal Power Commission points this out in its eleventh annual report to Congress, its first since its reorganization under George Otis Smith. The commission asks Congress to give it greater powers, to insure effective regulation of the industry.

Utility men, who have criticized the commission's policies in the past, are concerned over the present report; will fight any move to broaden the commission's authority.

The commission points out that most of the utility information available comes directly from the industry without guidance or review by any governmental agency; that the complicated relationships between operating and holding companies can only be clarified by federal action.

Wants More Fact-Finding

The commission believes a more extensive fact-finding program, similar to the Giant Power Survey of 1921, is needed to develop the soundest methods for producing and marketing electric current in the best interests of consumers as well as investors. Uniform accounting and cost-keeping methods are desirable throughout the country, it believes, to permit proper cost comparisons in this non-competitive industry.

While it frowns on excursions into management in the name of regulation, the commission points out that in its organic act its first assigned duty is to collect and make public economic and engineering facts about the industry. It is already undertaking this in its recent questionnaire calling for complete information about all associated and affiliated companies of its 105 licensees operating on public lands or navigable streams. The commission would like to extend this investigation to other companies.

Halbron

UNDERGROUND—*Riverside Park, New York, will go all the way to the Hudson when New York Central's tracks at last disappear under their new landscaped covering for which walls are now under construction*

BUILDERS of HOOVER DAM Select INTERNATIONAL TRUCKS

"Six Companies Inc.," Builders of Greatest Engineering Project Since the Panama Canal, Place Large Order Exclusively with International Harvester

The Hoover Dam region on the Nevada-Arizona line.

HOOVER DAM is under way. The great Boulder Canyon project of the United States Government which has long made news for a nation now advances into construction stages.

And as action begins on the mighty Colorado, comes a news item of vital interest to the construction industry and to the automotive world. Six Companies Inc., of San Francisco, a combination of six leading western contractors which is to build Hoover Dam under a bid of $48,890,999, has standardized on International Trucks as qualified above all others to bear the heavy hauling responsibilities in their contract.

The full meaning of this decision—the extent of the honor paid to International performance and service—can be appreciated only when measured against the immensity of the project itself.

One of the International heavy-duty trucks working at Hoover Dam. The open hood is expressive of the intense heat in the canyon, rising as high as 128 degrees. The boulder-proof armored cab is further evidence of conditions encountered. Note, at right of shovel, the entrance to an auxiliary tunnel used in construction of the great diversion tunnels that will extend three miles through solid rock.

The Job—

Space does not permit going into the details of the Hoover Dam project. They have long been matters of public record. Suffice it here to say that the plan encompasses flood control and general river regulation, irrigation, silt control, power development and domestic water supply affecting a large part of the Southwest. The entire enterprise involves an appropriation of $165,000,000 and includes many auxiliary developments of great magnitude in addition to the dam itself.

The dam will fill the gigantic chasm of the Colorado River to a height of about 730 feet above the foundations. It will be one-eighth of a mile thick at the base, will contain about 3,400,000 cubic yards of concrete, and will impound 30,500,000 acre-feet of water in an area vastly greater than Gatun Lake at the Panama Canal. Millions of yards of rock and earth must be removed; millions of tons of building material must be hauled. Employment will be given to thousands of men, the work extending over a period of six to seven years.

Today the canyon hums with intense activity. "Boulder City" is springing into being like a magic town of gold or oil. Railways and highways are being built. Modern engineering genius is mobilizing to conquer problems that stagger the imagination. Already work has begun on four great diversion tunnels each 50 feet in diameter and nearly a mile long, to be driven through the solid rock of the canyon walls. These channels alone involve the hauling of *nearly a million truck loads.*

Hoover Dam as it will look on completion, towering 730 feet above foundation rock, with power houses on both banks of the river. The dam will be nearly 1200 feet long, 45 feet thick at the top, and 650 feet thick at the base. This barrier will form a reservoir 115 miles in length with a shore line of 550 miles and an area of 227 square miles, the largest artificial lake in the world.

—and the Trucks

In such a setting, with mountains to be moved under such conditions, trucks will have their work cut out for them. Six Companies Inc., guided by years of experience in heavy-duty hauling, is banking on Internationals. The fine performance of Internationals in the service of the first sub-contractors on work in the canyon only made the choice the easier. Scores of International Trucks are now in process of delivery at the site. The first fleets have long been on the job, rugged, capable, and economical—admired alike by the engineers, the drivers and the shovelmen who know full well how good each truck must be to stand the gaff.

International Harvester is proud to have Internationals selected for work on Hoover Dam. The news from Boulder Canyon is of great practical value to buyers of trucks everywhere. It provides another chapter of evidence contributing to the high reputation of International Trucks.

Front of dam will rise just beyond foot bridge shown here. Hoover Dam will be higher than any dam now existing and the construction will require 5,500,000 barrels of cement and nearly 60,000 tons of steel and other metals.

INTERNATIONAL

INTERNATIONAL HARVESTER COMPANY
OF AMERICA
(INCORPORATED)
606 S. Michigan Ave. Chicago, Ill.

Wide World

IRON ROAD—*As a sample of its product, a British company laid this skid-proof road of iron blocks outside the exhibition hall at the Works, Roads, and Transport Congress in London. An asphalt base was used*

Low Prices, Slowing Production, Are Forcing Mergers in Steel

Old plants weaken price structure; now, as when Big Steel was born, chaos breeds consolidation

THE steel industry will enter 1932 with prices at the lowest level in a decade. This has been made certain by recent reductions amounting to $2 a ton on bars, shapes and plates and from $2 to $4 on light-rolled steel products (sheets and strip steel).

Steel makers are facing a perplexing situation. With ingot output hovering around 30%, they cannot make money at present prices. If production were boosted to 50%, they could make a small profit, but far below what would be considered a reasonable return on their investment. With a few notable exceptions (National Steel Corp., Inland Steel, Granite City Steel), mills have either lost heavily or are barely breaking even. The sheet and strip people have suffered most severely, those concentrating on the heavier products the least.

Yet with the industry agreed that 50% operation is some distance in the future, further concessions in prices have been made. The price structure has been weak for some time; it took the Ford steel business for first quarter, with its large, prospective tonnages, to break it down completely.

If the present trend of prices is not halted—in fact if higher prices do not come back soon or a much higher rate of operations materialize—observers say that consolidations are the only thing which will save some companies from a financial débâcle.

Ten producers of steel, representing about 80% of the steel industry's capacity, showed losses of over $6 millions in the third quarter contrasted with operating profits of more than $30 millions in the same period of 1930. Big Steel made the poorest statement since its formation in 1901. National Steel Corp. and Inland Steel made the best showing, with earnings of 15¢ and 7¢ a share, respectively.

The depression does not adequately explain this situation; the coming of better times will not mean a correction of the evils besetting the industry, particularly in light-rolled steel products. Much of the difficulty lies in destructive price competition, arising partly from too much producing capacity. Every mill, whether it has either obsolete or modern equipment, feels that it is entitled to its share of the industry's business. Nowhere is this better illustrated than in sheet steel.

Too Many Old Mills

The manufacture of sheets has been revolutionized by the continuous process, involving expenditures of millions for new equipment. Still an abundance of old type mills remains. The country's sheet steel capacity has been doubled in a few years' time, with consumption increasing but little. The National Association of Flat-Rolled Steel Manufacturers is trying hard to open up new markets, is doing a good job, but results naturally come slowly, as substitution of sheet steel for other materials is largely a matter of laborious education. Meanwhile, mills must find an outlet for their products.

The most lucrative and highly concentrated sheet steel market is at Detroit in the automobile trade; therefore almost every sheet maker turned to it. Increased competition resulting from new companies attempting to break into that territory and old companies struggling to hold their positions depressed prices. Automobile steel buyers have not been slow in taking advantage of this situation.

The destructive competition is not confined to Detroit. Mills in the East and South, capable of serving a localized market economically and profitably, must compete against mills at Cleveland, Youngstown, and other Mid-West points which insist on trying to get part of the available tonnage, despite disadvantageous freight rates. The Eastern and Southern mills invade the Mid-West markets, although economic logic dictates against such a course.

Free Extras

Largely at the instance of the automobile industry, the sheet steel people have concentrated attention in recent years on improving their product. A product which would have been accepted and used a few years ago is now rejected. Full-finished sheets, involving high processing costs following the mill rolling, have been substituted in many cases for plain material. At first, sheet steel mills charged "extras" which absorbed this additional expense, but the desire to obtain business has led to the waiving of many of the extras. This is an inconspicuous method of cutting prices and it is one

reason why steel makers are getting $35 a ton less for automobile body sheets than they did in 1929.

Some steel men aptly describe the present situation as paralleling that which existed at the beginning of the century when Big Steel was born. A chaotic condition existed then as now; many mills were still manufacturing steel in obsolete plants which for the good of the industry should have been abandoned. The industry was looking around for some way out of an impossible situation just as it is today. Consolidation was the means finally used then; steel executives believe that consolidation will be the means used in the coming months. They expect Bethlehem to figure prominently in the new merger movement, Big Steel to be very much in the picture.

These consolidations, which appear inevitable, will bring about the scrapping of old plants which have been a handicap hanging around the industry's neck; they will give low-cost modern plants a chance to make a reasonable profit on their investment. Companies in control of the situation then can allow consumption to catch up with production capacity, as they will be reasonably sure that newcomers will not break in. Because of the large investment required, the steel industry is free from "fly-by-night" companies.

Heat Resistant Ceramic Has Many Possible Uses

A NEW ceramic, known as Crolite No. 7, which has the lowest coefficient of thermal expansion of any known material, has just been developed by Henry L. Crowley & Co., West Orange, N. J. The new product is said to possess a 2 to 1 advantage in thermal coefficient over Invar, the alloy heretofore leading in low thermal coefficient, and a 4 to 1 advantage over Sillimanite, the ceramic used for spark plug cores and other high temperature applications.

With a coefficient of thermal expansion of 0.9 at temperatures ranging from 0 to 100 deg. C.; 1.2 from 0 to 200 deg. C.; and 2.7 up to 1,000 deg. C., Crolite 7 undergoes less change in size for temperature variations than any other material now in use. It can be heated to incandescence and plunged in cold water without destroying it. Its applications include precision instruments where changes of material must not upset characteristics, spark plug cores, pyrometer tubes, and other places where heat shocks are severe.

Brazil Makes Another Desperate Effort to Steady Coffee Prices

To the long list of Brazilian plans for coffee price stabilization, another scheme has just been added.

Its chief features are the proposed destruction of 12 million bags of coffee within the next year and an increase in the coffee export tax from 10 to 15 shillings, the increase to be applied in sight drafts on London or New York toward interest and amortization of the 1930 "realization" loan of £20 millions. Coffee pledged against this loan is to be safeguarded. All coffee stocks held by the federal government will be taken over by the National Coffee Council, which is to be autonomous under the government's financial supervision, have complete charge of coffee destruction, and full responsibility for the loan.

New Minister's Idea

The new program was approved at the meeting of the National Coffee Council held last week in Rio. It is the most drastic move yet taken, and reflects the policy of Brazil's new finance minister, Oswaldo Aranha.

The plan may bring relief, but it cannot cure the Brazilian situation. Coffee destruction so far has made but a slight dent in the huge stocks piled up in the interior; they amounted Nov. 1 to 30 million bags.

Perhaps the greatest doubt regarding the plan is the proposal to amortize the 1930 valorization loan through the issue of sight drafts on London and New York and adjust "at earliest possible date" outstanding accounts with all governmental bodies and banks. If any part of the stored coffee which secures the valorization loan is destroyed, it must be covered by payments abroad. In the depleted state of Brazil's gold reserves and with foreign exchange already at a premium, any possibility of meeting this obligation in the near future would seem obscure.

Sugar Market Fails Backers of Cuban Pool

Opponents of artificial control over the sugar market chuckled contentedly when a report came at the end of last week announcing the collapse of the Cuban sugar pool.

The pool was formed several months ago, got hold of 700,000 tons of Cuban surplus sugar stock with the idea of selling it at better prices. Czarnikow-Rionda Co. was to act as selling agent.

It was hoped that the pool would get control of the New York market, command higher prices. But the plan did not materialize. Besides the decline in sugar consumption, the competition of domestic beet sugar and Porto Rican and Philippine sugars was in the way.

Announcement of the pool's dissolution had but a slight effect on the market. For the past few weeks the price of sugar has been going downward, establishing at the opening of this week a new all-time low at 1.04¢ a pound. No early improvement is expected.

The International Sugar Council meets in Paris Dec. 14. In view of the decline in consumption and the further drop in prices, it is understood that Thomas L. Chadbourne, originator of the world sugar pact, will propose further curtailment of production.

Report Bennett Has Empire Wheat Quota

Ottawa (*Special Correspondence*)—London reports that Premier Bennett has returned to Canada with Britain's conditional agreement to an Empire wheat quota—15% home and 55% dominion crop, leaving Great Britain a 30% margin for carrying on trade with the Argentine and other countries.

It is believed that by July, when the Empire Conference is scheduled to meet, many of the issues to be settled will have been pretty well threshed out and that the conference itself will have little difficulty in bringing trade agreements to a final conclusion.

Some question remains as to whether the conference should meet in Ottawa, as intended, or in London. Either place will suit the Canadian government.

Tariff Changes Are Few and Cautious

With a flourish characteristic of its military administration under Henry P. Fletcher, retired chairman, the Tariff Commission announced last week that President Hoover had approved its recommendations for an increase in duties on 2 products, reduction in 7, and no change in 15.

Increases, effective Jan. 1, were proclaimed in the duty on McKay sewed shoes and fresh green peas. Decreases apply to window glass, turned shoes, crude feldspar (*BW—Sep30'31*), green peppers, and eggplants. The commission's investigation of domestic and foreign costs disclosed that no change in duty is warranted on cement, ground

Ewing Galloway

Bartered Coffee—*Unloading Brazilian coffee, swapped for wheat, at Bush Terminal, Brooklyn; the terminal company takes its pay in coffee*

feldspar, softwood lumber, crin vegetal, flax upholstery tow, and Spanish moss.

The first hint of dissension in the commission since its reorganization in June, 1930, was seen in a minority report by Thomas Walker Page, Democrat, contending that cement should have been returned to the free list, and the duty on Belgian window glass reduced by more than the 25% recommended. The Tariff Commission's record to date is significant principally for what has been left undone. The tariff adjustments made so far have been confined largely to commodities of small importance. They reflect a tendency to reduce rates on industrial products, increase rates on farm products.

Bruening Stakes His Rule On Last Emergency Decree

EUROPEAN NEWS BUREAU (*Cable*)—If the world has had any doubt that Germany had her back to a wall, it should be dispelled by Chancellor Bruening's fourth emergency decree.

Official Berlin—still stunned—admits it is the most radical attempt ever made in peacetime in a non-Communist state to enforce concerted reduction of prices, rents, rail rates, wages, and interest rates. It completely disregards private rights and contracts.

At home and abroad, it is recognized by knowing observers that Herr Bruening has taken this last desperate step in an effort to balance Germany's budget, retain sufficient world confidence to win a degree of banking cooperation in liquidating Germany's debts, counteract the onsweeping floodtide of Hitlerism.

There are still some Germans who believe Bruening will stand. But Europe is talking Hitler this week.

Bruening's new decree attempts to combat depreciated currency exports in world markets, the mushroom growth of tariffs, and the "extra-legal" tactics of his political enemies. If he fails, most observers see Germany plunged into more complete economic chaos.

A brief summary of the main effects on business of Bruening's new decree:

(1) **Prices:** Before Jan. 10, prices must be cut 10%, irrespective of cartel agreements.

This applies essentially to raw materials. To see that it is passed along to retail business, a "price dictator" has been appointed. The failure of any commercial house to respond may bring about its suspension.

The all-around reduction in cartel prices means a $60-million saving to steel users; $35 millions to coal consumers.

(2) **Wages:** "Back to the level of Jan. 1, 1927" is the command for wages in the new decree, "regardless of current agreements." Official salaries in the Reich, states, and communes are cut 9%, wages 10%.

(3) **Rail rates:** Freight rates are cut 5% to 25%, save shippers $70 millions a year. The saving on coal shipments alone is $20 millions.

(4) **Interest rates:** On loans, bonds, mortgages (public and private), where the interest rate was 8%, it is cut to 6%; where it was more than 8% it is cut from 25% to 50%. The Lombard rate is cut from 10% to 9%; the Reichsbank rediscount from 9% to 8%. This move was made in spite of the unanimous warning of all experts.

(5) **Taxes:** While certain minor taxes are reduced, the sales turnover tax is increased to 2%.

(6) **Miscellaneous:** Land owners are protected against forced auction sales by the stipulation that no bid under 70% of value need be accepted.

While designed to balance the budget, the new decree does not in any way remove the basic scarcity of capital. Nor does it, with dictatorial cuts in interest rates, increase the abysmal distrust of savers and capitalists.

Though the reduction in interest rates relieves public budgets, land owners, and industrial mining companies with large outstanding bond issues, it upsets the financial basis of savings banks, mortgage banks, and insurance companies.

Whether or not last week's abortive Hitler scare will become an actuality, possibly before Christmas, depends on national reaction to this decree.

There is a real possibility that the Berlin and Basle conferences will be confronted, long before they terminate their discussions, with a change of government in Berlin. And if this change does not come about that abruptly, Germany may be confronted with an entirely different set of circumstances as a result of these 2 important meetings.

Wide Reading

TAXATION. *Fortune,* December. State of the U. S. Treasury: $3 billions coming in; $4 billions going out; $1 billion deficit. More taxes on U. S. incomes—new taxes on U. S. sales.

WAGES SHOULD BE CUT! R. W. Stone. *Factory and Industrial Management,* December. Expenditures for capital goods normally constitute a large part of the volume of business. These expenditures have been discouraged by the low rate of capital return which results from failure to reduce labor costs proportionately to other costs.

FORD ABROAD. Ralph L. Woods. *World's Work,* December. Where Ford's foreign plants are, what they make, their capacity.

WHERE THE AVIATION INDUSTRY STANDS. Charles L. Lawrence. *Aviation,* December. What has happened because of the depression; how much is invested in aviation; value of output; scheduled air transport operations.

DECLARATION OF INDEPENDENCE. Stuart Chase. *Harper's* December. There is a growing group of Americans who are preparing to fight the idea of "keeping up with the Joneses."

THE TWILIGHT OF BIG BUSINESS. Henry Tetlow. *American Mercury,* December. What is wrong with overgrown businesses. Encouragement for Little Business.

MANNING FOR TOMORROW. Edward S. Cowdrick. *System,* December. Upon today's foundation of depression-tested personnel, business will build its organization for the upswing.

DESIGNING TO SELL. R. S. McFadden. *Sales Management,* Nov. 28. Rapid sellers in a new make-up prove the advisability of utilizing the present depression to dress up. More sales now; better competitive position when the pickup comes.

BOOKS

DISTRIBUTED LEISURE. L. C. Walker. Century, 246 pp., $2.25. The world today needs goods and leisure, has goods and mass unemployment. A new working philosophy of industrial management is outlined.

SUCCESSFUL LIVING IN THE MACHINE AGE. Edward A. Filene. Simon & Schuster, 274 pp., $2.50. Analysis of mass production, and a practical plan for individual and social adjustments to it.

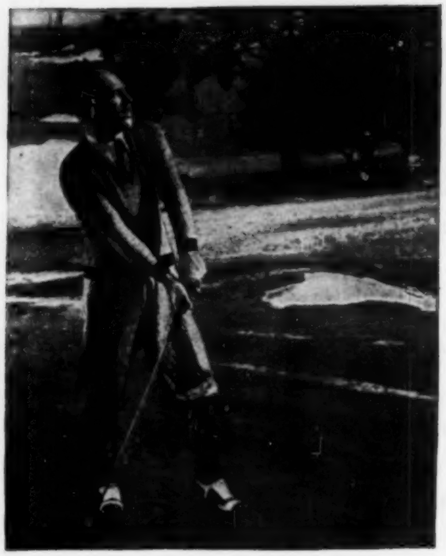
BUSINESS INFORMATION AND ITS SOURCES. Business Branch, Newark Public Library, 32 pp., $1. Compilation of 2 years of selective reading for business men. Concise, up-to-date handbook of the best current source material for executives in all lines.

CUTTING CLERICAL COSTS. Eugene J. Benge. McGraw-Hill, 327 pp., $3.50. Practical methods for solving production problems of the office.

WAGES AND THE ROAD AHEAD. James D. Mooney. Longmans Green, 149 pp., $2. A plea for a realistic view of wages in which income should not be confused with hourly and weekly rates.

UNEMPLOYMENT AS A WORLD PROBLEM. John Maynard Keynes, Karl Pribam, E. J. Phelan. University of Chicago Press, 261 pp., $3. International outlook for unemployment.

This snapshot was taken before he cured the slice



Losing strokes in the rough and woods upset this manufacturer frightfully.

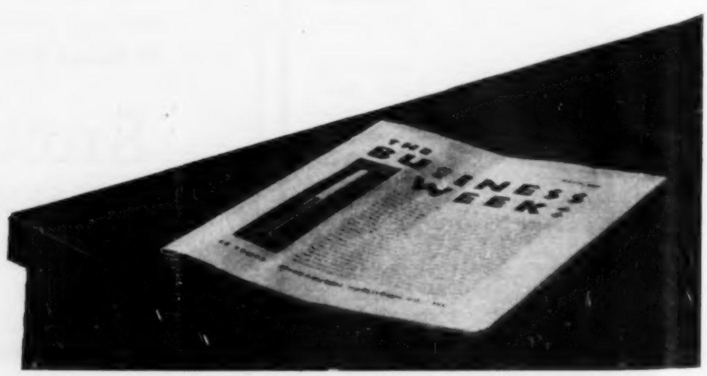
Quite properly, he considered them penalties for rambling off the shortest distance between tee and cup.

"Expensive ground to play on" is what he termed the hazard acreage (of which there is always too much) surrounding the course.

After straightening out his drive he carried the philosophy to his business of making and selling business equipment.

"Mr. Parke" he casually remarked to the V. P. in charge of advertising "have you ever considered the similarity of a sales drive to a golf drive? In other words have you considered the *cost* of driving out among the undeveloped businesses which have little to spend? I believe our fairway to orders lies right through those developed businesses which buy—then quickly recreate the money they spend. How many such concerns are there?"

"The only figures I have show that 4% of our businesses do 86% of our business, which proves your theory that there are lots of penalties for going out of bounds. But the question as far as our advertising is concerned, is how on earth can we have the coveted 4% sorted out for us."



Reich's Ability to Pay Depends On Free Access to Markets

Balance sheet for last 3 months of debt agreement shows perilously heavy reliance on export surplus

EUROPEAN NEWS BUREAU — While silk-hatted bankers from 11 countries are calculating in Basle just how much Germany is going to be able to pay on reparations, and other bankers equally noted are meeting in Berlin to discuss the commercial obligations of the Reich, *The Business Week's* Berlin correspondent has worked out a German balance sheet to cover the 3 months intervening before the "standstill" agreement ends Feb. 29, 1932.

Payments, $200 Millions

Here are his figures with a concise interpretation:

Payments which must be squeezed from precarious income total $200 millions, are due on 4 counts.

(1) Interest service of long-term debts—$70 millions. Estimate of the Federal Bureau of Statistics for the year 1930 is 825 million marks net. The economic survey of the Reichs Kreditgesellschaft makes it 430 million marks for the first half of 1931. Stegerwald, Labor Minister, in a recent speech said 700 million marks for the whole year. Thus, 800 million marks, or $200 millions, is a fair average for 1931. The December-February amount must be put somewhat higher than one-fourth of that since particularly heavy payments come due on Dec. 1 and Jan. 1.

Interest, $30 Millions

(2) Interest service on postponed short-term debts—$30 millions. This is based on a rough average between the postponed short-debt total given in the Layton report—8 billion marks—and the later Reichsbank estimate of 12 billions with rate of interest taken at 5½% a year—135 million marks or about $30 millions, for the 3 months. The 5½% will probably be rather on the low side since the rate charged for American credits hardly exceeds 4½% to 5%, while Swiss and Dutch banks charge as much as 7% and 8%.

(3) Repayment of mark balances—$75 millions. Under the Basle agreement, Germany undertook to repay foreign holders of mark balances in Germany 25% at once (effected at the end of September) and an instalment of 15% in each of the subsequent months. Total of mark balances was estimated by the Layton report at 735 million marks. Three monthly instalments, or 45%, of this would amount to 340 million marks or $75 millions.

(4) Unspecified payments—$25 millions. This includes a variety of items, including travelers' expenses, various remittances which it is impossible to specify. This figure is probably low.

Receipts from which Germany must meet these payments include 2 major items:

(1) Net freight receipts of mercantile marine, insurance, and minor items —$10 millions. For normal years these receipts are estimated by the Federal Statistical Bureau at 200 million marks. This year they will not be over 160 millions, which is 40 million marks or $10 millions for the 3 months.

(2) Export surplus—$195 millions. The amazingly high excess of exports over imports in Germany's foreign trade for the last few months is her chief trump. The estimate for the 3 months in question works out to $150 millions if based on an average of the first 9 months of the year, to $225 millions if taken on the higher average of the July–September quarter. Because of the new barriers offered by rising tariffs, we have taken a more conservative figure of $195 millions.

International News

ALFREDO BENEDUCE—*He is chairman of the special committee of the Bank for International Settlements which will decide Germany's ability to pay*

Analysis Deflates Optimism

These figures (necessarily hypothetical) are encouraging until critically analyzed. There are $205 millions to meet debts of only $200 millions. But of the $205 millions, $195 millions are credited to export surpluses. Though each month's surplus has been increasingly favorable since the middle of the year, critics at home and abroad are wondering how long this can last. Switzerland, good customer to the south, has already refused to renew the present trade agreement, without stipulating import quotas based on an average for the last 5 years. France has raised duties 15%. So has Italy. Holland has hoisted them 10%. Just the items which have been included in the emergency list in Britain will cut more than $30 millions from German imports. The Scandinavian countries, also good customers, are buying less on their depreciated currency. Russia, best customer in the last 6 months, will be paying on old maturities, but the new purchases are on 12 to 28 months' credits.

The Business Week has already pointed out the difficulties the Reich is having in trying to get control of the foreign exchange due on the export excess. Recent stringent measures may help this situation though it is likely to be some time before it is watertight. And the latest plan to force import contraction runs into new threats of foreign quota bargaining which will force Germany to buy if she is to sell abroad.

Canada Expects Quick Diagnosis of Rail Ills

OTTAWA (*Special Correspondence*)—With the recently appointed royal commission on the transportation problem planning to tour the country only a few weeks, early treatment of Canada's railway ills is expected. The commission which includes Pres. L. F. Loree of the D. & H., should be able to conclude its

examination of the situation and report to the Ottawa government in time for legislation at the coming session of Parliament.

Opinion grows that the survey will lead to some form of merger or unification of the 2 big railways. The more enthusiastic supporters of public ownership fear Canadian National may be placed at the mercy of the Canadian Pacific and are preparing to denounce the commission's report should it suggest anything of the kind.

In the commission's instructions, special mention was made of the competition the railways sustain from trucks and buses. In this connection, the Ontario government now threatens drastic regulation of the truck business unless the industry acts itself.

Four European Industries Complete Working Agreements

EUROPE can boast no outstandig success among its numerous cartels, and yet recent weeks have seen new developments toward closer working cooperation in 4 of its industries.

Synthetic dyes, on which Germany held a proud monopoly before the war, are now made on a large scale in France, Switzerland, Britain, and the United States. Germany, France and Switzerland have been members of a synthetic dye cartel for some time. Britain now has agreed to join on the promise that Germany and Switzerland will make further concessions to the British in the Indian market and only high-priced specialties will be sent to the British market by German companies.

American Market Out

The new agreement does not include the American market from the standpoint of prices, export quotas, or allocation of business, though American companies have patent agreements with the principal members of the cartel.

World dye production capacity is estimated at 600 million pounds annually, nearly 100 millions of which are in the United States. The U. S. Tariff Commission estimated that more than one-third of world capacity was idle during 1929.

Europe's aluminum cartel is expanding on Jan. 1 to include Aluminium, Ltd., of Canada. The reorganized cartel will be known as Alliance Aluminum Compagnie. Officially the aim of the new company is the "promotion and expansion of aluminum sales." It will gradually take over the functions of the European cartel in which German, French, British, and Swiss aluminum interests with their affiliates, particularly in Norway, were organized. Aluminium, Ltd., of Canada operates subsidiaries in Norway and Italy. The absence of the United States from the agreement is not considered as of major consequence since American consumption is largely supplied by domestic production, and little American production enters international trade.

Europe's new porcelain set-up is more significant as a model cartel than for the importance of the industries concerned. The continent's 3 main producing countries—France, Germany, and Czechoslovakia—have entered the agreement. The French porcelain industry was threatened by cheap imports from Germany, Japan, and Czechoslovakia. France proposed to admit porcelain imports from the signatory countries at the minimum tariff if they agreed to advance their prices from 5% to 20%. Non-signatories were to be charged the maximum tariff. Germany and Czechoslovakia agreed; Japan is still holding out.

Inasmuch as the agreement was arranged with government cooperation, it may well become a model for other industries seeking marketing cooperation.

Radio Cooperation

The fourth working agreement in European industry is between the 2 great powers in the European radio industry—Telefunken Gesellschaft fuer Drahtlose Telegraphie G.m.b.H., Berlin, and the N. V. Philips Gloeilampenfabrieken, Eindhoven, Holland.

In the manufacture of tubes, Telefunken had 2 rivals—the Te-Ka-De concern in Nuremberg (Sueddeutsche Telephon Apparate, Kabel und Drahtwerk A.G.), and Radioroehrenfabrik Hamburg, controlled by Philips. The Hamburg plant supplied about one-third of Germany's tube requirements.

The new agreement provides for an exchange of patents and experience, close cooperation in the manufacture of both tubes and receiving sets, and a probable quota-agreement on sales in third markets.

British Duties Prompt Factory Site Queries

EUROPEAN NEWS BUREAU—Great Britain is not yet flooded with applications for plant sites for foreign manufacturers who want to establish themselves on the right side of the tariff wall. There are some applications, however, mostly from Europe.

American applications have been comparatively few, probably because Americans have in the past been far more active than the Europeans in establishing branch plants or associated manufacturing companies in Britain. There were more than 200 at the end of last year, and the amount invested in manufacturing exceeded \$300 millions.

To be remembered, also, is the fact that Americans hurried across to Canada last year and early in this, urged by the threat in the Bennett tariffs. To the 524 American branches in 1929 were added 65 in 1930 and a still undisclosed number in 1931. With Dominion preference they are all set to go after a larger share of the British market.

The London Chamber of Commerce has received 200 inquiries from abroad for new sites since the first Runciman duties were announced. The largest number of inquiries came from Sweden, Belgium, Germany, and France. Most manufacturers want factory space of from 20,000 to 30,000 sq.ft.

Prominent among the industries seeking sites are producers of heavy woolens, hosiery, rayon, electrical apparatus, perfumery, candies, paper, footwear, soaps, cereals, brushes, canned foods.

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In New York, efforts to attract American manufacturers are being made by the Great Western and London Midland and Scottish railroads. More than 20 inquiries have been received at the office of the Great Western either for plant sites or regarding production in Britain on a royalty basis. Manufacturers of machinery and electrical equipment have shown greatest interest.

Portugal Puts Radios On Her Crack Trains

DESIRE to build up de luxe travel service has led the Companhia dos Caminhos de Ferro Portuguezes da Beira Alta, which operates more than 1,500 miles of railways in Portugal, to install radio equipment on the express trains between Lisbon and Oporto. Passengers may use headphones at their seats, or loud speakers in the dining-car and corridors.

New Policy Strengthens Banks, Helps Business in Italy

EUROPEAN NEWS BUREAU (*Cable*)—Italian banking is undergoing a change, shifting from the Continental to something approximating the British system.

The immediate case is the reorganization of Banco Commerciale Italiana (Comit), Italy's largest bank.

Typical of the Continental banking systems, Comit has been closely associated with thousands of the most varied industrial and commercial enterprises. Italian financial authorities estimate that it held nearly 15% of all Italian industrial shares (which total over $2,200 millions).

Holding the Portfolio

Since 1925, these shares have become a dangerous burden. First the trying Italian monetary policies, then the depression, discouraged popular stock buying. When, in the last few years, Comit was forced to buy stocks in its own group on the open market in order to check sharp declines, the liquidity of its assets was seriously threatened. The bank's June 30, 1931, statement, set forth that it owned $63 millions of Italian shares. Popular judgment advanced this figure to $200 millions.

A large part of these stocks were bought during the inflation period and share prices in Italy have fallen 45% since December, 1925, so the heavy loss which immediate sale of portfolio stocks would have caused is evident.

Backed by the Bank of Italy and with the cooperation of the Mussolini government, Comit's entire portfolio of industrial shares has been sold at cost to a holding company, Società Finanziaria Industriale Italiana, whose present capital of $5.3 millions is increased to $16 millions. These new shares are placed exclusively with a group of enterprises of the Comit group (notably Montecatini, S. I. P., Ilva, Amiata), and to prevent attacks from speculation will not be quoted on the Stock Exchange.

Rediscount Provisions

To provide long-term rediscount facilities to make this deal possible, Consorzio Mobiliare Finanziario has been established by the government and fresh funds secured through a $250-million bond issue.

Comit and Consorzio Mobiliare are represented on the directorate of Società Finanziaria but will not advance credit to the holding company.

The net result of the reorganization is that (1) Italy's largest commercial bank has entirely liquidated itself, and with no loss, and is able to continue its short-term financing to affiliated companies (particularly the newly-merged shipping group); (2) a corporation is set up in Società Finanziaria which commands long-term capital and so can digest frozen security holdings and immobilize commercial banks; (3) Italian business is aided by the release of banking capital for commercial purposes.

It has been pointed out that there is a slight similarity between the relief plan afforded by the Consorzio Mobiliare in Italy and the National Credit Corp. in the United States. But where the National Credit Corp. is making loans on a distinctly short-term basis to aid crippled banks, Italy's Consorzio Mobiliare is rediscounting corporation for industrial securities held by many large commercial banks and with rediscounts limited, so far, only to 10 years.

Despite weaknesses, Italy's new plan has the virtue that no recourse will be made to the printing of notes, and the stability of the lira will not be impaired.

Portuguese Show Boat Follows Galleon Routes

PORTUGAL has adopted the "show boat" to display its wares in foreign markets.

Years ago Portuguese merchant vessels plied regularly between Brazil and Lisbon. Brazil as a colony was a rich source of raw materials for the seafaring homelanders.

Portugal lost Brazil long ago but Portuguese still is spoken there and is understood in the islands off the coast. Portuguese ships still follow the old trade routes. Sales of late have lagged. The demand for Madeira wines, for embroidered linens and for the famed wicker furniture is affected too by competition from other aggressive exporters. Spain and Italy are flirting with long-time Portuguese markets for tinned sardines and olive oil.

Now the products from Portuguese factories are to be carried on a "show boat" to re-sell old markets in South America. The depression has rejuvenated some of the best of the old selling methods.

Business Abroad—Swift Survey Of the Week's Developments

The immediate prospect of a tariff war in Europe, uncertainty over the debt conferences, German reaction to the dictatorship dominate the European outlook. . . . Britain and France are at loggerheads over the tariff. . . . Central Europe finds it necessary to cooperate. . . . Austria and Hungary will be forced to declare moratoria early next year. . . . France is building Japanese friendship. . . . Brazil has a new coffee plan. . . . Cuba has abandoned the sugar pool. . . . Attention in the coming week will focus on events at Basle, Berlin, London, Paris.

Tariffs, Debts, Nazis Cloud Europe's Outlook

EUROPEAN NEWS BUREAU (*Radio*)—The seemingly greater possibility of political upheaval in Germany, uncertainty over the outcome of the debt conferences, and fears that growing Anglo-French hostility may develop into an outright tariff war accentuate the unsettlement which has characterized European business during the last fortnight. Except for the continued, though less inflationistic, activity in England, business, everywhere at its lowest ebb, is now paralyzed by new tariffs and exchange restrictions.

Financial sentiment is reflected in nervousness on the securities markets, and in unsettled exchanges. Sterling, after a rally, has sunk again to a new low. Probably it is not generally realized that the Bank of France, following the example of the Bank of the Netherlands, is selling its sterling reserves following the failure of French efforts to persuade Britain to stabilize at an early date. The British evidently have decided not to attempt stabilization before determining on a permanent tariff level. Sterling, meanwhile, is exposed to abnormal forces such as the liquidation of foreign holdings by the French and Dutch.

Right Gains Strength

The ultra-protection bloc of Parliament is gaining strength, making the position of Ramsay MacDonald and other Moderates increasingly difficult. Their elimination, as predicted in *The Business Week* when the National government was first formed, is increasingly possible.

In Germany the Bruening government has issued the newest and most drastic of the 4 famed emergency decrees which have been forced on Germany in an effort to keep the country solvent.

Reich Cuts Prices, Wages

This latest decree is tantamount to a stupendous, coordinated national scheme to scale down prices, wages, service charges, and interest rates. On the reaction of the public to the extreme restrictive measures depends the immediate chance of the Hitler party to come into power.

Within Germany, people feel they are living on a volcano, with the Jewish element in a veritable panic. Outside Germany, especially in England (where antipathy to France is becoming a distinct factor), the press is beginning to hint that the advent of Hitler may not necessarily be a calamity, for it would precipitate a final reparations-war debt settlement which, more and more, is considered inevitable though no government has the political strength to force it as an issue.

This incipient disposition on the part of a growing group in Europe to consider the possible utility, instead of the catastrophic effect, of a Nazi régime in Germany probably would be more freely expressed were it not for the disquieting non-conformist economic concepts and the outright threats of intolerant class warfare in the campaign talks of the Nazis.

Exchange Agreements Aid Central European Trade

EUROPEAN NEWS BUREAU (*Radio*)—Trade paralysis as a consequence of exchange restrictions and the failure of the Prague Conference to organize clearings, have led country after country in Central Europe into negotiations with orders to break up the increasingly serious situation and permit at least the import of indispensable foodstuffs and industrial rawstuffs.

Individual foreign exchange clearings have now been concluded by Austria with Poland, Hungary, and Switzerland. There is also a new Swiss-Hungarian arrangement. But an Austro-Hungarian agreement with Czechoslovakia has proved to be more difficult to arrange.

In so far as inter-country trade necessitates only equal clearing without actual exchange of currency, the transfer is a simple operation reckoned on parity of exchange. It becomes difficult only when one country has a favorable balance. Austria and Hungary have a solution in the arrangement with Switzerland whereby one-quarter of their favorable balance is devoted to payment of interest on Swiss loans, and similarly the Hungarian payment on Austrian loans.

The Bank for International Settlements at its January meeting proposes to reattempt coordination of the various individual plans.

Moratoria in Prospect

Meanwhile Hungary is expected to be forced to ask for a moratorium before February. Austria, equally or even more indebted, may have to follow. American interests, apart from losses entailed in embargoes on non-essential imports, are unable to withdraw balances, wherefore some firms are investing their balances in mortgages on their premises or in real estate.

Briefly, here is the situation in individual countries, particularly as it affects Americans:

Austria—Immediate solvency depends on renewal of the $27 millions Bank for International Settlements–Bank of England credits, and the reloan of the $9 millions previously repaid to the Bank of England, and, above all, reorganization of Credit-Anstalt in order to stop the drain on the National Bank. The government's promise to foreign creditors to appoint a foreign managing director has not yet been fulfilled. Internal buying power of the schilling is as yet unchanged, but the foreign value (and of the pengo as well) has sunk 20%.

Hungary—Foreign debt service requires $53 millions. There is no hope that this can be raised in 1932. Budapest no longer considers it a question as to whether or not there will be a moratorium, but when it would be most advisable to declare it—now or later. The government is seeking a reduction in interest on loans from prevailing rates of 7% and 8%, to 3% or 4%, and postponement of amortizations bringing current charges within the figure which the excess of forced exports and curtailed imports might cover. Negotiations have succeeded in some cases.

Rumania—The government wisely has refused state help to the bankrupt Marmarosch Co. but the country's principal trades—timber, oil, and cereals—are hard hit by Russian dumping.

Farmers are refusing to pay taxes or interest on bank loans.

Yugoslavia—After successfully resisting bank runs and being compensated for losses under the Hoover moratorium by French loans, the country is in a better position than its neighbors.

Cream of the Assets

Czechoslovakia—Although industry is suffering from frozen credits in neighboring markets, and from effects of the British tariffs, this country, which received the cream of the assets of the Austro-Hungarian empire, is incomparably the best situated financially in all Eastern Europe. Stringent exchange restrictions are expected successfully to defend its currency.

Generally, alleviation of Eastern Europe's immediate difficulties largely depends on solution of the German problem, but any fundamental solution to the liability of these abortive midget states lies in the formation of some preferential union among the Danubian states.

France Watches Growing Rift With Britain

Business is contracting, unemployment increasing, unfavorable developments multiplying. . . . Anglo-French hostility assumes formidable proportions. . . . Tariff war not improbable. . . . Licensed import list extended.

PARIS (*Cable*)—The general trend is indicated by the further 10,000 increase in the week's registered unemployed, by falling wholesale prices in spite of rising tariffs, by severely restricted Christmas buying, and by financial paralysis resulting from the expansion of domestic rediscounts. The new $140-million equipment program, which has passed the Chamber and is expected to pass the Senate, may somewhat ameliorate conditions during the winter but can scarcely save the situation.

France Heavy Loser

As the Basle and Berlin conferences open, France and Britain are more at loggerheads than at any time since the War. Disagreement over the priority of debts is now added to controversies over sterling stabilization and tariffs. Considering that the Bank of France has maintained its £80 millions deposits in London while private banks have contributed a further 8 billion francs to emergency credits in order to support the pound, it is understandable why the French are incensed over Britain's apparent indifference to sterling depreciation and to the losses resulting for France. The Bank of France alone has lost more than $100 millions. This, as with post-war losses on Russian bonds, must now be covered by treasury notes.

Mr. Runciman's aggressive statement in London accusing France of tariff discrimination because of the imposition by Paris of special duties to counteract currency depreciation abroad has added fuel to growing hostility between France and England.

The statement is no more justifiable—since the duties apply to all countries with depreciated currency—than is the French abuse of England's recourse to defensive tariffs, a policy of which France itself is more guilty than any other country. Instead of the expected negotiations toward reciprocal tariff adjustments which Mr. Runciman declared could not be considered by England before the next empire conference (at Ottawa in July, 1932), France now is likely to increase duties in the case of England from 15% to 30%, or to whatever amount is necessary completely to cover sterling depreciation.

Meanwhile, France has taken definite action against countries which are protecting their currencies by limiting foreign exchange transfers. This, to the harassed French exporter unable to get his money for delivered exports, is just a roundabout way of curbing foreign trade. Paris now has a comeback in a decree promulgated this week subjecting imports from such countries to import licenses.

Threat of Tariff War Worries British Business

Business is less optimistic, worries **over tariff retaliation and** lagging **Christmas trade. . . . Tariff** list likely **to be extended soon. . . .** Empire co**operation gratifying. . . .** Russia must **buy in Britain in order to** retain the **British market.**

LONDON (*Cable*)—London is frankly worried this week. Stock markets reflected it. So did lagging business.

Causes are numerous. Outstanding were the continued weak position of sterling, and the growing realization that January tax demands are spoiling Christmas buying. Looming in the background was the fear that Lancashire textile workers would carry out their threat to strike Jan. 1 unless owners agree not to lengthen hours and

J. Walter Thompson

RUMANIA CALLING—*The official inauguration of the Bucharest–New York–Washington telephone service. Left to right are Minister of Communications Valcovici; Prince Ghica, Minister of Foreign Affairs; G. N. Filipescu, president of the S. A. R. de Telefoane; Charles B. Wilson, the American Minister; L. Sussdorf, counsellor of American Legation; G. A. Ogilvie, managing director of S. A. R. de Telefoane. They are talking to Secretary of State Stimson*

reduce wages. And mounting in importance is the threat of a tariff war with continental Europe. Obviously the general outlook is governed by politics.

Hit by French Duties

The threat of a tariff war became ominous when Walter Runciman openly attacked in Parliament the new French surtax which has been levied against imports from countries with depreciated currencies. The British coal industry is hard hit already, has petitioned the government to do something to relieve the situation. The impost is now 15%. France, angered at Britain's new trade advantage and piqued over Britain's reticence in accepting French financial aid to stabilize the pound, declares the levy may be increased to 30% or to whatever amount the pound may depreciate. The reply from the Runciman group is that Britain took no such retaliatory measures when the French franc depreciated. Behind it is the knowledge that Britain is not helpless with its new tariffs as a bargaining weapon, and with a market that is an important outlet for most of the countries of Europe, the foremost purchaser of French exports.

Despite the speed with which the new government has carried out its tariff program, it is besieged with more requests. Loudest and most insistent are demands from the steel industry for an immediate and not inconsequential duty on steel. Delay, declares the neutral economist, is due to the realization that many British industries depend on cheap Continental steel. Despite the fact that steel imports jumped from 31% of home production in 1929 to 61% in October of this year, the staid London *Economist* points out that even under these unfavorable circumstances, British steel and iron exports about double imports, and that the bulk of the imports are in a crude or semi-crude state while exports in the main are of highly finished products.

"Buy British"

Backed by 200 trade associations, and flaunted from 4 million posters, the "Buy British" campaign still is holding popular interest, bringing profitable results. Typical of dominion cooperation is the arrival at London of a shipload of Australian lambs which are sent as Christmas gifts from dominion residents to relatives in England. Included in the shipment is a lamb from the Lord Mayor of Melbourne to the Lord Mayor of London. Interest in an economically self-contained empire is spreading.

Russian trade held the limelight in a recent meeting of the Association of British Chambers of Commerce. The vast gap between the total of Moscow's sales to Britain and the growing, but still small, total of British sales to the Soviets was made the basis of a demand that this trade be controlled, that Britain refuse to buy from Russia more than the Russians buy from Britain. It is a reciprocation of the tactics of the Soviets in foreign markets. Great Britain was Russia's best foreign customer last year.

Political Tension Nears Boiling Point in Germany

Unsettled conditions aid Hitler advance. . . . Germany expects little, hopes for much, in credit parleys. . . . Industry hit by avalanche of tariffs. . . . Reichsbank allows import-export foreign exchange swap.

BERLIN (*Cable*)—With internal political tension nearing the boiling point, and with the attention of business focussed on Basle and the coming short term parleys in Berlin, daily announcements of new failures and losses are spreading despair—Hitler's best ally.

The election of Signor Beneduce to head the experts' meeting at Basle satisfies Germany, is taken as a good omen, though there are no illusions over the coming hard fight (pages 24 and 27).

Just a Breathing Spell

At the Berlin credit parley, while Germany favors definite consolidation, she does not expect general acceptance of her 10-year amortization plan by her creditors. Therefore, some other plan for provisional extension is more likely. Germany will probably concentrate efforts on winning lower interest rates on outstanding indebtedness.

Apart from a further decline in a majority of the general business indicators, the week's ill-tidings include the announcement of an operating loss by A. E. G., with sales off 30% from 1930 totals, a temporary shut down at the Henschel Co., the country's largest locomotive builders, the disastrous effect of the British tariff on the knitted wear industry, which is largely dependent on exports to England. Mills are already sustaining a loss of $10 millions in orders yearly, have been forced to dismiss 18,000 men.

The Reichsbank has met halfway the demands of the export trade to reintroduce forward trading on foreign exchange by organizing a clearing office for swap dealings in foreign currencies. Since transactions are limited to exporters and importers, and banks deliberately are not admitted, doubts are expressed over the possibility that there will be any balance between offers and demand.

Small Optimism in Latin American Outlook

Salvador weathers a revolution. . . . Chile defines accusations against Cosach. . . . Brazil plans new coffee destruction program. . . . Cuban sugar pool collapses.

THREE events feature the week's developments in Latin America: overthrow of the Salvador government, announcement of a new plan in Brazil to stabilize coffee prices, and collapse of Cuba's famed sugar pool.

The Salvador coup d'etat has had little effect on business. It lasted less than 24 hours, ended in victory for the military rebels.

If the United States finds it impossible, because of treaty agreements, to recognize any new government which might arise out of the revolution, it would have its effect on Salvador. American investments there total $44 millions. The United States takes $2¾ millions of the country's exports (mostly coffee), sells it $4½ millions.

Service charges on Salvador's loans are already deposited in New York. Wall Street bankers say the country's fiscal position is good.

Coffee prices reacted upward when the National Coffee Council of Brazil announced its plans to destroy another 12 million bags of coffee in the next 12 months, but business enthusiasm abroad was well within bounds (page 23). With no funds available to finance a destruction program, observers have small faith in the plan amortizing itself, at least on any vast scale.

Sugar Pool Collapses

Cuba has admitted defeat in another plan to control sugar prices, and that commodity touched a new low on the New York market this week (page 23). The sugar pool has dissolved itself after failing to capture the New York market with its single sales plan.

The fate of Cosach is less gloomy since the report of the examining board was made known to Chile's government. The report recommends complete government domination in the organization, conversion into ordinary shares of bonds held abroad, and revaluation of the nitrate fields.

Uruguay has placed an absolute ban on all private foreign exchange deal-

ings, effective Dec. 8. To exporters in Europe and the United States this is taken to indicate that foreign exchange reserves are failing to accumulate as expected and that payment on accumulated bills under the temporary moratorium may not be resumed in January as promised.

Franco-Japanese Amity More than Vague Rumor

No recovery in Far East. . . . Japan faces large budget deficit. . . . French funds and Japanese industry may co-operate to develop textile trade in Indo-China.

WHATEVER the findings of the 5 neutral observers who will investigate affairs in Manchuria, it is now widely accepted in both the United States and Europe that Manchuria is definitely within the Japanese sphere of influence. Whatever the political reaction to this new status, that part of world business which has held an important share of Manchurian trade is preparing, if not to pull stakes, at least to plan no expansion for the time being. Japanese initiative pretty much supplanted other foreign interests in Korea; the same may be the course followed in Manchuria.

In this connection, an interesting project has been revealed in Tokyo. French financiers are reported to have approached Japanese industrialists with a plan to start a large-scale textile industry in Indo-China, France's rich colony in the Far East. French money would buy Japanese machinery and employ Japanese supervisors. This closer cooperation with Japan may be behind the policy in Paris which has, apparently, turned from antagonism to, to support of, Japan's explanation of advances in Manchuria.

Big Budget Deficit in Japan

Trade is dull in both China and Japan. Chinese manufacturers are profiting in a small way from the boycott and depreciated silver. Japan is suffering from decreased exports and the new fall in raw silk prices, but is experiencing fair domestic demand.

Preliminary budget estimates from Tokyo indicate a large deficit, possibly reaching $200 millions. There is a distinct movement toward upward revision of the tariff both for protection and increased revenue. Foodstuffs, lumber, iron and steel, and petroleum products are mentioned as likely to be included in any revision. The subject will come before the Diet in February.

The Figures of the Week And What They Mean

Dullness continues to be the dominating feature of the business world. . . . No quickening of activity in the stock and commodity markets was apparent after the Presidential address to Congress. . . . November department store sales declined. . . . Shoe production in October fell below 1930 after holding well above for 7 months. . . . Irregular price trends in steel and further delay in automotive orders lowered steel activity. . . . Electric power production recovered after the holiday drop. . . . Carloadings reflect holiday and seasonal influences. . . . Loans continue to be curtailed. . . . The *Business Week* index moved into new low ground at 65% of normal for the week of Dec. 5 compared with the revised figure of 65.6% for the preceding week.

THE gain in tonnage and operations of the steel industry during November brings little encouragement to the business observer when confronted with immediate prospects for the next two months. Though the American Iron and Steel Institute reports November operations at 30% of capacity compared with 27.8% in October, the Dow, Jones estimate covering the first week of December has been placed at 26% of capacity, the low of the year. Even on an adjusted basis, this represents a decline to 40% of normal compared with 42% the preceding week.

The industry is now far from sanguine concerning the remainder of December. Even the first quarter of 1932 seems less certain to yield the large increase in tonnage that was expected a few weeks ago. A large measure of dependence on the automobile industry limits the activity of steel. Orders from this source have been confidently expected for weeks. Actually only small tonnage requirements have been placed.

The price situation in the steel industry threatens to usurp the prominence that has been given to low operating rates of the past few months. The drastic declines from the level of 1929 to the summer of 1931 gave the impression that the low had been reached. But small tonnage orders left the market untested. When presumably large requirements from the automotive market were about to be placed, the softness of sheet steel, plates, bars, and shapes became apparent and acted as an additional deterrent to the placement of tonnage. In contrast to these declines is the increase posted for nails, wire rods and wire products. Efforts to re-establish quotations on plates, shapes, and bars in the first quarter of next year are being made. Weakness in steel scrap has brought the *Iron Age* composite to a record low.

Railroad Steel

Whether anything can be expected from the railroad industry following the prospective rate increases remains to be seen. During the first 10 months of this year only 11,891 freight cars and 114 new locomotives were placed in service, a reduction of 84% from the same period of 1930. According to *Steel*, freight cars awarded in November

	Latest Week	Preceding Week	Year Ago	Five-Year Average 1926-1930
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*65.0	‡65.6	78.3	.....
Production				
Steel Ingot Operation (% of capacity)	26	28	37	63
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$6,850	$8,134	$11,168	$16,403
Bituminous Coal (daily average, 1,000 tons)	*1,255	1,177	1,674	1,899
Electric Power (millions K.W.H.)	1,671	1,600	1,747	1,636
Trade				
Total Carloadings (daily average, 1,000 cars)	106	109	134	158
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	71	74	86	100
Check Payments (outside N. Y. City, millions)	$3,606	‡$3,404	$4,874	$5,335
Money in Circulation (daily average, millions)	$5,525	$5,486	$4,638	$4,912
Prices (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.54	$.54	$.71	$1.16
Cotton (middling, New York, lb.)	$.061	$.062	$.104	$.161
Iron and Steel (STEEL composite, ton)	$30.47	$30.55	$31.84	$35.46
Copper (electrolytic, f.o.b. refinery, lb.)	$.063	$.063	$.108	$.143
All Commodities (Fisher's Index, 1926=100)	67.6	67.8	80.7	93.3
Finance				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,945	$1,954	$1,115	$1,470
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$20,856	$20,908	$23,316	$21,910
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,543	$7,574	$8,747	$9,002
Security Loans, Federal Reserve reporting member banks (millions)	$5,807	$5,831	$7,769	$7,033
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$690	$720	$2,099	$3,380
Stock Prices (average 100 stocks, Herald-Tribune)	$95.78	$96.45	$137.38	$150.99
Bond Prices (Dow, Jones, average 40 bonds)	$79.68	$81.89	$94.53	$96.16
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	2%	4.9%
Interest Rates—Prime Commercial Paper (4-6 months)	3¾-4%	3¾-4%	2¼-3%	4.4%
Business Failures (Dun, number)	550	492	598	483

*Preliminary ‡Revised

totaled 35 compared with 780 in October and 2,621 a year ago.

Construction has followed steel activity into a year-end decline. November contracts awarded in 37 states according to F. W. Dodge totalled only $151,195,900, the lowest volume for any month since February, 1921, when the data covered only 27 states. The decline from October of 37.5% is exceptionally severe, but partly accounted for by the 3 fewer business days in November than in the preceding month. However, even on a daily basis, the month falls 29.4% behind October, and 40.4% behind a year ago. Our adjusted index covering the 4-week period ending Nov. 27 declined to 42% of normal compared with 47% the preceding 2 weeks.

Public Works Decline

The sharpest decline amounting to 35% occurred in public works and utility contracts, bringing awards to the lowest since January, 1925, in spite of governmental effort. Part of the decline, however, is seasonal. The month's total aggregated $47,409,700.

Non-residential awards were the lowest of the period 1925 to date. The volume of this group has been fairly steady from March to October. The decline of 33% in the daily average from October represents the first sharp drop of the year. Total awards of $58,495,800 were the largest of the 3 groups reported.

Residential contracts of $45,290,400 declined only 15% on a daily average basis from October, which is in line with the usual year-end contraction. The persistent decline in residential awards has characterized the year from the peak month of March, when the volume reached $100,912,600.

Coal production was affected by the Thanksgiving holiday, but output on the remaining days was stimulated so that the daily average for the week showed a slight gain. The adjusted index rose to 54% of normal compared with 52% the preceding week.

Power Production

Electric power production during the week of Dec. 5 reached the highest total since late in April, but it is probably not justifiable to ascribe any important industrial recovery to this rise. Our adjusted index moved to 82% of normal compared with 81% the preceding week. October power production of public utilities gained only 2.4% over September, according to the Geological Survey, compared with a gain of 6.4% in 1930 and 8% in 1929.

The carloadings report covering the week of Nov. 28 includes the Thanksgiving Day holiday. Even with allowances made for the shorter business week, the decline was more than seasonal. Our adjusted index based on the shipments of miscellaneous and less than carlot freight declined to 60% of normal compared with 62% the preceding week.

The 5-day week ending Dec. 2 showed a seasonal gain in check payments ranging from 5.9% in the 140 cities outside of New York and 10.9% in New York City alone. Our index, based on the past 2 weeks, declined slightly to 72% of normal compared with 73% the preceding week. The month of November brought check volume to the lowest of any month since February, 1922. The decline in New York City from October was fully 30%, while outside of financial centers the decline was less than 18%.

Daily average currency circulation for the week ending Dec. 5 expanded $39 millions, a trifle less than seasonally expected. The adjusted index declined one point to 34% above normal.

Commercial loans resumed the downward trend which will probably continue through December. The adjusted index is unchanged for the week of Dec. 2 at 6% above normal.

Commodity Prices

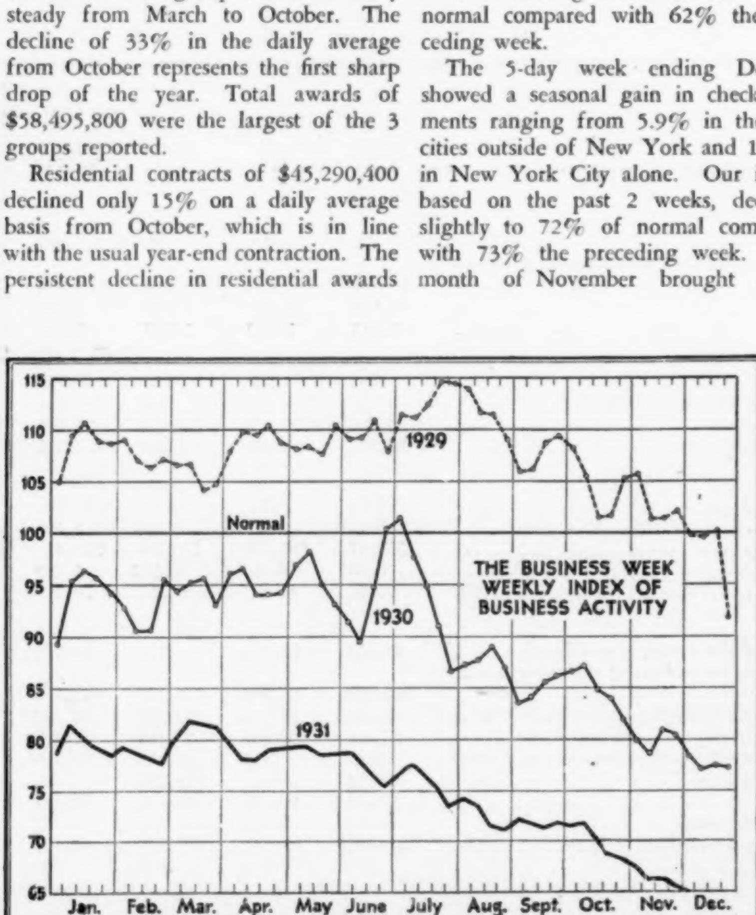
Weakness in commodity prices continues to be reported, with a few exceptions. The non-ferrous metal markets were quieter with prices of copper and lead steady. Zince and silver made slight gains, but tin continued to weaken in sympathy with sterling. Copper conferences in London and New York have been revived looking to agreement on curtailment of output and strengthening of prices. Data on production and stocks are being withheld, but there is little doubt that accumulation has continued.

New lows were made by rubber, cocoa, and raw silk during the week. Sugar sagged on news of the breakup of the Cuban sugar pool. Coffee prices went against the downward trend when the new export tax became effective.

Cotton and wheat prices moved slightly downward. Milling demand for cash wheat continues firm and prices have been maintained or advanced for high protein wheat.

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



Trends of the Markets In Money, Stocks, Bonds

Bond movements—steadily downward to new lows—alarm financial circles. . . . Stock prices, after teasing market followers for almost a week, dropped abruptly to new low ground. . . . Money markets are quiet, but numerous developments which will influence them are in progress.

Money Market Awaits Important Developments

ALTHOUGH rates were unchanged and comparative quiet prevailed in monetary affairs this week, a host of developments which will affect money and banking are in progress.

Money movements themselves did provide some interest. Currency circulation declined when a seasonal rise was expected, indicating further utilization of hoarded funds. Gold continued to come to America steadily, but a policy of conservation is leaving fewer and fewer gold notes in circulation. The extensive decline in member bank reserves was halted, and, although this does not necessarily mean cessation of bank credit liquidation, it points in that direction. Brokers' loans continued to decline with stocks. Federal Reserve operations in the money market were negligible.

Foreign confidence in the country brought continued sizeable amounts of funds here for short-term investments. All important foreign currencies, except the French group, depreciated in terms of the dollar. The French franc moved sharply upward after having dropped practically to the point where France would lose gold. The French government's decision to reimburse the Bank of France for its enormous losses in sterling exchange was a factor.

Internationally, monetary attention is centered on the negotiations concerning Germany now going on. British and American banks have large sums in the Reich. Two committees are at work, and President Hoover's move toward reconsidering war debts is very significant. In trying to right Germany's financial position and meet her obligations the Bruening government, through its decree this week, went a distance which would have seemed incredible 2 years ago. Besides this heroic move, the increases in taxes Mr. Mellon proposes are slight.

Treasury operations will take place next week, boosting our short-term government debt to a higher total. Higher rates were paid on this month's offering, and the Treasury's vulnerability to money rate changes remains high.

Governmental proposals and moves regarding banking will have important effects on our money markets. Reconstruction Finance Corporation operations alone are likely to be inflationary; to make its debentures rediscountable would be a further step in that direction, though this latter proposition must make conservative financiers tremble. Imposition of a bank check tax would affect money markets directly and branch banking in trade areas would make important changes. What action may result from international banking investigations and moves to separate investment banking and commercial banking is still problematical. Several New York City banks already have abandoned security affiliates.

Bankers seeking to protect loans have brought a new development in railroad finance. Some roads have had to issue bonds directly to banks for collateral.

Stocks Break Resistance To Hit New Low Levels

THIS week brought no miracle to stop inexorable deflation, and stock prices dropped into new low ground for the depression. The break came only after days of tantalizing resistance just above previous lows, indication both of strenuous efforts to hold prices up and of considerable feeling that stocks really were a buy at those prices. Large short operations became evident as the decline progressed.

Additional unfavorable items became

visible this week out of the welter of tangled industrial and financial trends. These included a whole host of dividend slashes and omissions, especially among the railroad companies, though a number of industrials were included. Some dividend cuts are more serious than they look on the surface, due to the fact that some companies are heavily dependent on income received through their stock holdings in others. The increase in tension abroad becomes more evident as time passes.

The various Administration messages to Congress disappointed many in the market, and removed another rather vague prop to prices. For some the prop was removed before, for others, after the messages became public. Tax proposals were more severe than expected.

Continued decline in bonds is probably the most alarming of any single development. Bonds generally are obligations prior to stocks, and if bonds are not worth par—. While some thought is being given this aspect, stockholders obviously are not taking it too seriously.

Support of Bond Prices Is First Relief Job

THE fall of bond prices down to new lows reflects steadily growing doubt as to the safety of the obligations, also resumption of necessitous liquidation of bond holdings. Averages for every important group sank below previous lows this week.

This movement unquestionably is the most alarming feature of financial trends. Bonds constitute the investment backlog of the country's major financial institutions and the decline strikes hard at all of them. Furthermore, these institutions simply cannot sell their holdings, even at present prices which would entail huge losses. There is so little demand for bonds that even comparatively small sales by any appreciable number of big holders would scuttle the market.

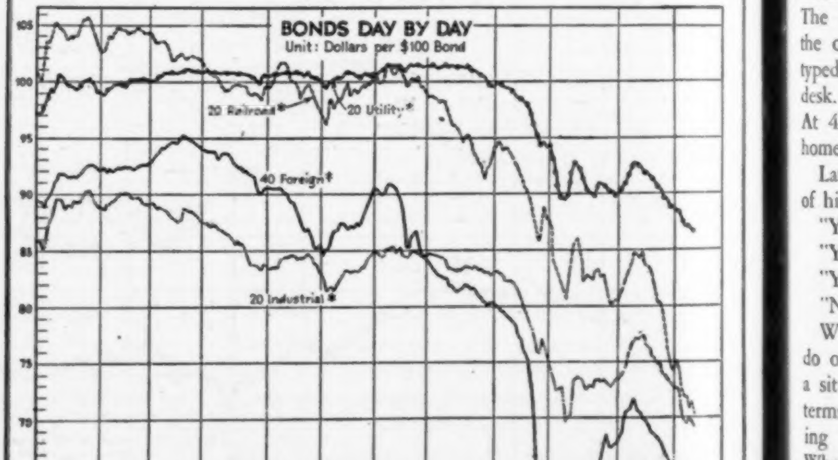
Various governmental and private movements aimed at relief from the depression must now work in one way or another primarily toward the support of bond prices. They must also avoid making demands for cash upon the financial institutions, and thus forcing closings or failure.

All Weak

The chart shows the course of the market this week. Rail bonds are still probably the weakest as a group, though to pick out any one group for that distinction is somewhat like witnessing a downpour and trying to say at which spot the most rain is falling.

The decline in foreign issues was general. French and Belgian issues, for some time the comparative aristocrats of the list, turned decidedly weak.

The Treasury's Dec. 15 financing revealed this week totaled $1.3 billions, with almost $1 billion constituting refunding. The status of the government bond market is revealed clearly in the fact that the Treasury had to avoid a new bond issue despite the need for one and do all its financing in short-term obligations. Despite this, most government bonds dropped during the week. One issue sold below 90.



JAMES W. DUBLIN, Rtd.

Mr. X and Xmas

APPROPRIATE to the holidays, custom prescribes that scriveners shall don a red flannelette suit and a lambrequin of cotton whiskers and write something in the sweeter nuances. It's a sort of command performance and this Yuletide the vagrant troubadour of this column finds himself unable to oblige.

Instead the space will be devoted to an examination of Mr. X—the man going down the street with his coat collar turned up and whose ears stick out a little too much. Yes, the rather stoutish gentleman who just bumped his head diving into a taxi.

Mr. X's Xmas this year will be more reflective than festive. He will remember a motor trip out of Boston one Christmas Eve years ago. Miles and miles through the snow and the hushed, darkened countryside. The numberless modest cottages he passed, snug and warm looking. And so many Christmas trees twinkling in their windows with such bright peacefulness.

Mr. X will also remember the trees he and Mrs. X trimmed together. The affectionate squabbles. The tempered wassailing. One highball, say, to every 5 or 6 tree ornaments—until his wife gave him that funny look which slowed down the rate. The gentle good-night embrace when the job was finished. The bituminous taste in the morning—and what of it? Was it not coupled to the rare exalted sensation of being swollen with good deeds?

And still another recollection will sit by Mr. X's side at his Xmas dinner table. A day in June will return to him. The city's clamor beating in through the opened windows of his office. A typed list of names upon the expansive desk. Mr. X fired 212 men that day. At 4:30 Mr. X put on his hat, went home and threw up.

Later his wife knocked on the door of his room.

"You all right?" she whispered.

"Yes," said Mr. X.

"You better have some dinner, Ed."

"No," said Mr. X.

What, questions Mr. X, are we to do or say about a nation that handles a situation of tremendous suffering in terms of lump statistics—thus concealing its horrors from realistic view? What real unemployment relief is there for men grown so desperate, so eaten with fear that they are spiritually bankrupt? If Mr. X could have his way he would banish forever the word Prosperity from our language. In its place he would put the idea of Well Being which would insist that Man has a mind as well as a body.

We have, thinks Mr. X, forgotten that Man has a mind. And no enlightened human conduct will prevail until we recognize in full that the world must be made as habitable for the mind as for its fleshly envelope.

The world is not habitable for Mr. X's mind. The world is frantically busy supplying Mr. X with external decoration and symbols of his material importance, while Mr. X is seeking a simple unity of himself and his better intelligence. Mr. X having only one life to give for his country (and having given two-thirds of it already) expects something more of his country than a bill of goods. He expects it to offer him a passionate faith to defend. To go forward he feels the need of purpose, the binding together of his stouter and finer emotions, expressive outlets for them, a means of giving his *whole* self. Mr. X is not ashamed of his emotions. He knows emotion is a way of seeing.

Mr. X is a disassembled man. Perhaps he made a mistake when he stopped praying shortly after the Spanish War. It wasn't the war. It was some mysterious inner change in the X apparatus. He began to put his trust in Science and its hunting expeditions for physical truths.

Now Mr. X wonders how long we must wait and drift before Science shall deliver us into our new salvation. He wonders when the last guinea pig shall be fed the last vitamin and we shall be cracking atoms like pistachio nuts. The Final Word seems a long way off just now.

At the moment Mr. X clings fiercely to one comfort. He knows that Man is brave, that mixed with human pomps, stupidities and greeds is a stubborn courage beyond any words to be written by men. Endurance—that seems to be the First Principle.

When Mr. X dies there will be eulogies. He will be spoken of as that quiet, genial man who was so admired and respected in the industry he served. And no one among us will ever suspect on the day Mr. X is buried that a valiant and silent rebel was laid to rest.

J. W. D.

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Message of Hope

THE President's first communication to this Congress on the sad state of the nation shows an astonishing and encouraging advancement in the Executive's insight into the essentials of the situation that confronts this country.

The implications of this message will probably be unappreciated by the public or the legislature. It is cold, cautious, sketchy, laconic, aloof, and inarticulate—lacking, as usual, almost all popular appeal. It suffers from some inconsistencies and confusions which show the unconscious strain of adjustment of the President's personal philosophy to the profound changes in economic conditions that are taking place, and the new conceptions of governmental policy necessary to meet them. Despite these defects the message will remain, in our opinion, one of the most significant state papers of the period, for several reasons:

In the first place, for the first time during the past two years of the depression the Executive faces the seriousness of the situation squarely and candidly and invites Congress to use its supreme authority for aggressive, immediate, non-partisan, and large-scale action to meet it. Except for certain general suggestions regarding the lines of action desirable, he wisely leaves the legislature a free hand to deal with the situation according to its best lights, offers it an opportunity and challenge which it cannot well refuse to accept.

Secondly, for the first time he focuses attention on the fundamental importance of the part which our banking and financial system has played in producing this depression and the part it must play in recovery. This belated recognition by the Administration of the crucial role of credit in the stabilization of business is the beginning of wisdom and a promising portent of progress for the future. In the immediate practical applications of this concept which the message suggests there is also encouragement for those who feel that early recovery is possible if Congress promptly pursues the lines of policy laid down.

Almost every concrete suggestion made calls for some conscious effort to expand credit, quicken its activity, and check the paralysis which its uncontrolled contraction has caused. Everyone who understands the nature of this depression will realize that recovery cannot come otherwise, and will pray that Congress may rise to the occasion which the President's courageous and clear-headed recognition of this fact offers for vigorous action.

Finally, and of more far-reaching importance still in this message is its first faint but refreshing declaration of independence from difficulties abroad and of determination to deal with our domestic destiny despite the disturbing influence of foreign factors. Through the cloud of political and financial confusion in foreign affairs which has darkened the prospect and the potentialities of prosperity in the domestic scene there breaks at last the rousing challenge of the President's suggestion that "if we can put our financial resources to work, I am confident we can make a large measure of recovery independent of the rest of the world."

This is more than an incidental utterance of plaintive hope. It is a fundamental fact, too long forgotten in the frantic pre-occupation of our financial system with the inviting but illusory opportunities of profitable exploitation of the foreign field, while the possibilities of promoting the prosperity of our own people by use of our own resources have been neglected.

We do not know how far the President and Congress are prepared to push the hopeful implications of these important points in his message. But if they are only partly carried into action by this Congress in a conscientious, co-operative spirit they will open the way to rapid restoration of prosperity in this country in spite of the formidable difficulties that face us.

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